


2.059 Inconsistent use of a company's Chinese name can also create serious problems in the event that legal actions are conducted against infringement and has been known to result in unnecessary confusion and delay with respect to the enforcement of trademark rights. For example, where the Chinese name of the trademark owner appears in different versions on its trademark certificates, trademark-licensing contracts, company stationery and business registration certificates, the local AIC may contest whether the party filing the infringement complaint is, in fact, the owner of the infringed trademarks.

CHAPTER 3

WELL-KNOWN TRADEMARKS

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1. PROTECTION OF WELL-KNOWN TRADEMARKS

1.1 Introduction

A trademark may enjoy additional protection in the People's Republic of China ("PRC") if it is a well-known trademark (驰名商标). The PRC joined the Paris Convention for the Protection of Industrial Property in 1985 and the World Trade Organization ("WTO") in 2001. As a member of these organisations, the PRC must provide protection for well-known trademarks regardless of whether these marks are registered in the PRC. In recent years, the relevant PRC authorities have recognised an increasing number of PRC and foreign trademarks as well-known trademarks. This chapter discusses the legal framework for the recognition and protection of well-known trademarks in the PRC. 3.001

2. RELEVANT INTERNATIONAL CONVENTIONS AND AGREEMENTS

2.1 Paris Convention for the Protection of Industrial Property ("Paris Convention")

Article 6bis of the Paris Convention requires member countries to provide protection to well-known trademarks. Under Article 6bis(1) of the Paris Convention, if a trademark is "a reproduction, an imitation, or a translation" of a well-known trademark, if it is "liable to create confusion", and if the trademark is used for goods identical or similar to those for which the well-known trademark is used, the Paris Convention requires member countries to refuse or cancel the registration of, and to prohibit the use of, such mark at the request of an interested party (or *ex officio* if their legislation permits). This provision also applies when an essential part of a mark is a reproduction of such well-known trademark or an imitation that is liable to cause confusion with the well-known trademark. For this reason, a trademark that makes additions or alterations to a well-known trademark would constitute infringement where the essential part of it is a reproduction or an imitation liable to create confusion with a well-known trademark. 3.002

Under Article 6bis(2) of the Paris Convention, member countries must provide a period of at least five years for a request for cancellation, and member countries may provide a period for the prohibition of use of such marks. Under Article 6bis(3), however, member countries shall not impose any time limit for the trademark owner to request cancellation or prohibition of use of marks registered or used in bad faith. 3.003

2.2 Trade-Related Aspects of Intellectual Property Rights Agreement ("TRIPS")

As mentioned in Chapter 1, the PRC joined the WTO in 2001. All WTO member states must comply with the Trade-Related Intellectual Property Rights Agreement (TRIPS Agreement or TRIPS) (an agreement under the WTO's predecessor organisation, the General Agreement on Tariffs and Trade, or GATT). 3.004

- 3.005** Article 16 of TRIPS expanded protection to all trademarks under the earlier Paris Convention in two ways. First, TRIPS expanded protection to trademarks for services. Second, TRIPS expanded protection to trademark owners allowing them to prevent another party from using identical or similar signs on goods or services, which are not similar to those of the well-known trademark, provided that the use of the mark would indicate a connection between those goods or services and the owner of the well-known trademark and provided that such use is likely to damage the trademark owner's prior rights.
- 3.006** In addition, Article 16(2) of TRIPS requires its member states, when determining whether a trademark is well-known, to take into account the knowledge of the trademark in the relevant sector of the public, including knowledge in the member state obtained as a result of the promotion of the trademark.

3. RELEVANT DOMESTIC LAWS AND REGULATIONS

3.1 PRC Trademark Law

- 3.007** Since 2001, the PRC Trademark Law ("Trademark Law") has provided protection to well-known trademarks (驰名商标). The 2002 Implementing Regulations of the PRC Trademark Law ("Implementing Regulations") (中华人民共和国商标法实施条例) cover the procedures for well-known trademarks protection and the details concerning the well-known trademark provisions in the Trademark Law. Although the Trademark Law and the Implementing Regulations were revised in May 2014, the scope of protection of well-known marks remains largely unchanged.
- 3.008** Pursuant to Article 13 of the 2014 Trademark Law, the determination of well-known marks can be conducted either administratively via the Trademark Office ("TMO"), the Trademark Review and Adjudication Board ("TRAB"), or the local trademark enforcement authorities (namely, local Administrations of Industry and Commerce), or judicially by the people's courts.

3.2 Administrative Regulations on the Recognition and Protection of Well-Known Trademarks

- 3.009** The State Administration for Industry and Commerce's ("SAIC") Regulations on the Recognition and Protection of Well-Known Trademarks ("Well-Known Trademarks Regulations") (驰名商标认定和保护规定) is the main subsidiary legislation that deals with the administrative recognition and protection of well-known trademarks. As its name indicates, the Well-Known Trademarks Regulations provide, in addition to details on the protection available to well-known marks, specific procedures for the determination of whether a mark is well-known, such as the relevant evidence that a trademark owner needs to submit in an application for well-known trademark status. The 2014 Well-Known Trademarks Regulations first came into force in 2003, replacing the earlier Provisional Regulations for the Recognition and Administration of

Well-Known Trademarks ("Provisional Well-Known Trademarks Regulations"). Following recent amendments in July 2014, the 2014 Well-Known Trademarks Regulations now impose certain time requirements on the evidence supporting an application for well-known trademark recognition. For example, as for unregistered well-known marks, owners should submit proof of at least five years of continuous use as evidence of continuous trademark use. In addition, evidence of advertisements and promotional materials should cover the three years immediately preceding the application date of the mark being opposed or cancelled.

In 2016, the TMO has clarified that the legislative purpose of Article 14 of the 2014 Trademark Law is to establish a well-known trademark protection system, specify the concept of well-known trademarks and correct the existing misconception that a well-known trademark is the same as honorary title appraisal. The TMO noted that enterprises that intentionally downplay a well-known trademark and its protected legal nature by treating it as merely an honorary title would be contradicting the purpose of Article 14 of the 2014 Trademark Law.

3.3 Judicial Interpretation on the Protection of Well-Known Trademarks

With regard to civil trademark disputes in the people's courts, the Supreme People's Court ("SPC") issued its Interpretation on Several Issues Regarding the Applicable Law in the Trial of Civil Disputes Involving the Protection of Well-Known Trademarks ("Interpretation") (最高人民法院关于审理涉及驰名商标保护的民事纠纷案件应用法律若干问题的解释) in 2009, to provide guidance to the people's courts on the recognition and protection of well-known trademarks. After considering the concept and definition of a "well-known mark" in both the Paris Convention and the TRIPS Agreement, the SPC set out in the Interpretation a list of relevant factors that help determine whether a trademark is well-known in the PRC. The factors that the court may consider include the following: evidence of wide distribution and sales of the mark in China; whether the mark has been infringed and protected before; and appraisals that objectively show the mark's market value.

In cases where a mark has already been recognized as well-known by the Trademark Office (or another court), and the defendant does not dispute the well-known status, the court hearing the dispute can conclude that the mark in question is indeed well-known without conducting a separate detailed review.

4. WHAT CONSTITUTES A WELL-KNOWN TRADEMARK?

4.1 How to Determine Whether a Trademark is a Well-Known Trademark

As mentioned above, the determination of well-known marks can be conducted either by the administrative authorities or the courts. In both cases, the principles of "need-based", "case-by-case" and "passive determination" would apply.

The principle of "need-based" means that if a decision could be made without the determination of well-known status, e.g. by relying on other provisions in the

Trademark Law such as the infringement of a registered trademark by using a similar mark on similar goods and resulting in a likelihood of confusion, the administrative authorities and the courts should refrain from making such a determination.

- 3.015** On the other hand, the principle of “case-by-case” means that even if a mark has been recognised as well-known in an earlier decision, the administrative authorities and the courts are not bound by the precedent and are subsequently free to make their own determination on whether the mark is well-known. Nevertheless, previous recognition of well-known trademark status would generally still have persuasive effect in later proceedings.
- 3.016** Finally, the principle of “passive recognition” means that unless a party in a dispute applies for its mark to be recognised as well-known, neither the administrative authorities nor the courts should make such a determination on their own accord.
- 3.017** The 2014 Trademark Law and its Implementing Regulations do not contain a clear definition of what constitutes a well-known trademark. However, Article 14 of the 2014 Trademark Law provides that the TMO, the TRAB and the people’s courts shall take the following factors into consideration when deciding whether a trademark is well-known:
1. the relevant public’s knowledge of the trademark;
 2. the period that the trademark has been put to continuous use;
 3. the period, extent and geographical area of any advertisement/promotion of the trademark;
 4. the records of the trademark being protected as a well-known mark; and
 5. any other factors that show the trademark is well-known.
- 3.018** The above factors should be considered as a whole, and it is not necessary for all of them to be satisfied before a trademark can be considered to be a well-known mark.
- 3.019** The 2014 Well-Known Trademarks Regulations define a well-known trademark as a mark that is familiar to the relevant public in the PRC. As the definitions are broadly drafted, they do not offer much assistance on their own and would still need to be considered together with the factors listed under Article 14 of the 2014 Trademark Law. While the law requires the TMO and the TRAB to follow the Well-Known Trademarks Regulations, the courts are not bound by the same. Nevertheless, the courts may still refer to these definitions if they wish.
- 3.020** The 2014 Well-Known Trademarks Regulations further clarify that the relevant public would include the following groups of people:
1. the manufacturers and suppliers of the goods or services to which the trademark is applied;
 2. the consumers of the goods or services to which the trademark is applied; and

3. the operators and relevant personnel involved in the distribution of the goods or services to which the trademark is applied.

Note that the focus is on the relevant public in the PRC and not abroad. Even if a trademark is famous outside the PRC, this does not necessarily mean that this trademark will enjoy well-known trademark protection in the PRC. This is based on jurisdiction and would exclude other Chinese-speaking territories such as Hong Kong, Macau and Taiwan. Still, foreign well-known status may assist to some degree in showing that a trademark is well-known in the PRC.

3.021

The trademark owner bears the burden of proof for establishing that a trademark is well-known, and the following can be submitted as supporting evidence:

3.022

1. Materials showing the level of knowledge that the relevant public has of the trademark, such as information on the sales channels and the distribution network (including examples of major distributors worldwide and in the PRC), contracts, invoices, order forms and other documents relating to the main product to which the trademark is applied, articles from the international or the PRC press and awards received.
2. Materials showing the period that the trademark has been put to continuous use, such as the history of the trademark’s use and registration and the geographical scope that it was used in. These should include the date of first use in the PRC and a list of trademark registrations around the world with corresponding copies of the registration certificates. If the trademark is unregistered in the PRC, the evidence should show at least five years of continuous use. If the trademark is registered in the PRC, the evidence should show at least three years of registration or five years of continuous use.
3. Materials showing the continuous period, extent and geographical scope of any promotion of the trademark, such as information from the past three years regarding the type and geographical scope of advertisements and promotional activities conducted, the forms of advertising media used, schedules of advertising, media plans from advertising agencies, celebrity endorsements, exhibitions/conventions participated in and the total expenditure on advertising and promotion (with a detailed breakdown for the PRC). Samples of advertisements, product brochures, point of sale signage, flyers, etc., should also be provided if available.
4. Materials showing that the trademark has been protected as a well-known trademark in the PRC or other countries or areas, such as judgments from competent authorities.
5. Other materials showing the well-known status of the trademark, such as information from the past three years regarding the audited sales figures, total revenue, the market share, net profit, net taxes payable and the area of distribution of the main product to which the trademark is applied (with detailed breakdown for the PRC).

4.2 The Nike Case

4.2.1 Device Mark in Class 5 - Opposition Appeal

- 3.023** Zhejiang Adamerck Biology and Pharmaceuticals Limited (the “Respondent”) applied for the Device Mark (No. 9117583) (the “Opposed Mark”) on 11 February 2011, claiming Class 5 goods such as tablets and medicines for human purposes. Nike, Inc. attempted to oppose the mark via the TMO; however, the result was unsuccessful. In September 2013, Nike applied to the TRAB for review. Nike put forth various arguments including that it was a globally famous supplier and retailer of sports products and that it independently created its trademarks, such as Nai Ke (Nike in Chinese), NIKE, and the Swoosh logo, etc., and that the marks enjoyed a very high degree of distinctiveness. Further, Nike argued that its trademarks have a very high degree of fame worldwide due to its long-term use and promotion. Nike also requested that its Swoosh logo mark be recognised as a well-known mark.
- 3.024** The TRAB opined that the evidence of previous rulings and other evidence submitted by Nike proved that its cited mark had established a very high degree of fame and gained wide influence. Further, the TRAB believed that Nike’s cited mark was widely known by the relevant consumers owing to the long-term and widespread use and promotion of the mark. Thus, the TRAB held that Nike’s cited mark could be recognised as a well-known mark for “*clothing, shoes, and hats*”. On establishing that Nike’s mark was well-known, the TRAB stated that when comparing it to the Opposed Mark, they were visually similar overall, and as Nike’s cited mark enjoyed a high degree of fame, the registration of the Opposed Mark for medicines for human purposes and other goods would easily mislead the public and harm Nike’s interests in its well-known mark. Therefore, the TRAB held that the opposed mark should be refused under Article 13(3) of the 2014 Trademark Law.
- 3.025** This case concerns the scope of protection for well-known marks. For the purpose of preventing third parties from co-opting the reputation of well-known marks in bad faith, the scope of protection should be appropriately wide. On one hand, a higher degree of protection for well-known marks should be ensured. On the other hand, the abuse of the well-known marks system must be prevented, and the scope of rights for well-known marks should not be broadened at will.

5. PROTECTION OF WELL-KNOWN TRADEMARKS IN THE PRC

5.1 Opposition to the Application for Registration and Invalidation of Registration

- 3.026** How can a well-known trademark enjoy protection in the PRC? The owner of the well-known trademark can oppose an application for registration of another trademark prior to registration, and following registration, the owner may seek cancellation of the registration and prohibition on use. Article 13 of the 2014 Trademark Law provides protection to well-known trademarks in the PRC. The Trademark Law as a whole

affords different protection to well-known trademarks that are registered in the PRC and to those that are not.

5.1.1 Well-Known Trademarks not Registered in the PRC

Where a trademark is a reproduction, imitation or translation of a well-known trademark and is likely to cause confusion, the TMO shall reject the application and prohibit the use of such trademark in respect of identical or similar goods/services. The regulations set out the specific requirements as follows:

1. the unregistered trademark is well-known in China before the application date of the disputed trademark;
2. the disputed trademark constitutes a reproduction, imitation or translation of the well-known trademark;
3. the disputed trademark is being used in relation to identical or similar goods/services as the well-known mark; and
4. the registration or use of the disputed trademark is likely to cause confusion.

With regard to the fourth requirement, the SPC issued a draft judicial interpretation on 15 October 2014 titled the Supreme People’s Court Interpretation on Several Issues Regarding the Examination of Trademark Authorities and Authority to Determine Administrative Cases (最高人民法院于审理商标授权确权行政案件若干问题的规定 (征求意见稿)), to clarify which factors should be considered in determining whether the use of infringing marks would likely cause confusion in the case of unregistered well-known marks, and these include:

- the similarities in the marks;
- the relationship between the two products and the type of products the marks are applied to;
- distinctiveness and fame of the earlier mark;
- the level of public recognition;
- subjective intent of the later applicant; and
- any actual confusion caused.

5.1.2 Well-Known Trademarks Registered in the PRC

On the other hand, the protection given to PRC registered well-known trademarks is also extended to dissimilar goods/services. The Guidelines set out the following requirements for a mark to receive protection on dissimilar goods/services:

1. the trademark is registered and well-known in China before the application date of the disputed trademark;

2. the disputed trademark constitutes a reproduction, imitation or translation of the well-known trademark;
3. the disputed trademark is being used in relation to non-identical or dissimilar goods/services as the well-known mark; and
4. the registration or use of the disputed trademark is likely to mislead the public and damage the interests of the owner of the well-known trademark.

3.030 The SPC also elucidated that in determining whether the use of infringing marks is likely to mislead the public in the case of registered well-known marks, the following factors should be taken into account:

- the fame of the earlier mark;
- the distinctiveness of the earlier mark;
- similarities between the earlier and later mark;
- similarities in the respective products to which the marks apply to;
- the relative level of public recognition for the two marks; and
- how the earlier mark is used by others in the market.

3.031 Thus, in order to obtain protection against use in relation to dissimilar goods or services, the trademark owner must have a PRC trademark registration for the well-known trademark. The two cases below are examples where protection is given to well-known trademarks in situations involving dissimilar goods.

5.1.3 TMO Decision Shang Biao Yi Zi No. 1963 of 2000: The Seven Up in Chinese (or Qi Xi) Case 商标局关于“七喜”商标异议案的裁定 (2000) 商标异字第1963号

3.032 The trademark in this case was identical to the Chinese version of the Seven Up trademark. Seven Up's manufacturer, the Concentrate Manufacturing Company of Ireland (a subsidiary of PepsiCo, Inc.) had registered and used the Chinese version of Seven Up in the PRC. The applicant wanted to register the trademark in respect of animal feed. Seven Up's manufacturer argued that its trademark was well-known to the general consumers. The TMO held that the mark was well-known to consumers since the trademark owner had substantial proof showing over the years both its use of the trademark in the PRC (marketing and promotion) and its sales of the products in the PRC. Even though the goods of the parties were different, allowing the applicant to register the trademark would still cause confusion: general consumers would think that Seven Up's manufacturer produced the applicant's goods or that there was some connection between the producers. Hence, Seven Up's manufacturer's opposition succeeded.

5.1.4 TMO Decision Shang Biao Yi Zi No. 2347 of 2000: The Second Seven Up in Chinese Case 商标局关于“七喜”商标异议案(二)的裁定 (2000) 商标异字第2347号

The parties were the same as in the case above, but the applicant here replaced the Chinese character for seven in the trademark with that for nine (九). The TMO considered that the Seven Up mark in Chinese was well-known to general consumers, but the TMO noted that the applicant's mark with the character nine was not similar to the Seven Up mark in Chinese. The TMO also found that the goods (animal feed) bearing the applicant's trademark had a function different from the Seven Up goods, and that consumers would obtain the goods of each party through different channels. For this reason, the TMO found no likelihood of confusion and the opposition failed.

3.033

5.1.5 Opposition Appeal to the Beijing No. 1 Intermediate Court – P&G “SK-II” in Class 21 (App. No. 5111458) 北京市第一中级人民法院 (2014) 一中行(知)初字第6820号

P&G filed an opposition appeal to the Beijing No. 1 Intermediate Court (the “Intermediate Court”) to overturn the decision of the PRC Trademark Review and Adjudication Board (“TRAB”) to allow for registration of the “SK-II” mark filed by a PRC individual called Shen Xiaolong (the “Opposed Mark”).

3.034

The Opposed Mark was preliminarily approved for “crystal [glassware]” in Class 21. In December 2009, P&G filed an opposition. In 2012, the PRC Trademark Office (“TMO”) rejected P&G's opposition and approved the Opposed Mark for registration. P&G subsequently filed an appeal with TRAB but TRAB upheld the TMO's decision. In March 2014, P&G filed a court appeal with the Intermediate Court.

3.035

The Intermediate Court ruled that the evidence submitted by P&G is sufficient to prove that P&G has been continuously and extensively using and promoting the “SK-II” mark since the entrance of “SK-II” products into the China market in 1996. The evidence also proves that the “SK-II” mark had achieved high degree of fame in the Chinese market before the application date of the opposed mark. As such, the “SK-II” mark constituted a well-known mark as provided for under Article 13.2 of the 2001 PRC Trademark Law.

3.036

The Intermediate Court ruled that the “SK-II” mark has strong inherent distinctiveness and the Opposed Mark is a direct copy of the “SK-II” mark. The goods designated by the two marks are highly related as “crystal [glassware]” are usually used as containers for cosmetics and skincare. The co-existence of the Opposed Mark and the cited mark will likely cause consumer confusion and damage to P&G's lawful rights in the cited mark. Hence, the Opposed Mark should be rejected for registration and TRAB should re-issue its decision.

3.037

5.1.6 Another Example of Well-Known Mark Protection

The administrative authorities do not always afford well-known marks the appropriate protection. Hennessy, Louis Vuitton, Swarovski, Hua Mei, Marriott, Nestle, Sheraton and Mosaic all brought an administrative action against the TRAB for accepting registration of infringing marks that were being used on goods different from the brand owners' products or services. On 21 April 2015, the Beijing No. 1 Intermediate

3.038

People's Court ruled that the TRAB had incorrectly applied the relevant law and their relevant decisions should be revoked. The Court adopted the principle that well-known marks should not be forged, copied or altered, even if they are applied to dissimilar goods.

5.2 Opposition and Invalidation

- 3.039 Under the Trademark Law, an interested party may file an opposition (Article 33) or invalidation (Article 45) against a mark that constitutes a reproduction, imitation or translation of a well-known trademark. As mentioned above, the owner of a well-known trademark bears the burden of proving that its trademark is a well-known trademark under the Trademark Law. The TMO, the TRAB and the courts are responsible for determining whether a trademark is a well-known trademark. The opposition must be filed with the TMO within three months from the date the preliminarily approved trademark is published. On the other hand, the invalidation must be filed with the TRAB within five years from the date of the registration of the trademark, except where the registration of the trademark involves bad faith, in which case no limitation period would apply.

5.2.1 The "Xinghuacun & Device" Case

- 3.040 Shanxi Xinghuacun Fenjiu Co Ltd ("Shanxi Xinghuacun") registered the mark "Xinghuacun & Device" (Regs No. 147571) in Class 33 on 15 December 1980. On 9 April 1997, this trademark was recognized as "well-known trademark" by the TMO. In 2002, Anhui Xinghuacun Co Ltd applied to register "Xinghuacun & Device" in Class 31, which Shanxi Xinghuacun opposed. In 2006, the TMO rejected the opposition and allowed the registration of the opposed mark. Shanxi Xinghuacun appealed this decision to the TRAB. In 2010, the TRAB partially approved the registration of the opposed mark against the will of Shanxi Xinghuacun. The Beijing No. 1 Intermediate People's Court sustained the decision. Next, the case was brought before the Beijing Higher People's Court, where the court refused to give special protection to the well-known mark. The appellate court noted that the cited mark "Xing Hua Cun (in Chinese)" was taken from a famous ancient Chinese poem; thus, the court held that the plaintiff took advantage of the ancient poem to establish the reputation of the mark on the liquor goods. The court also held that it would be inappropriate to extend the protection for the well-known mark in such contexts, because the registration of the opposed mark on the designated goods (trees, wheat, etc.) would not cause any confusion or misunderstanding, nor would it damage the reputation or dilute the distinctiveness of the well-known mark.

- 3.041 In this case, the court explicitly points out that the registrant of a well-known trademark could prohibit the registration of other trademarks only when the mark causes misunderstanding as to whether any possible connection exists between such mark and the well-known trademark and that the confusion would negatively impact the reputation or dilute the distinctiveness of the well-known trademark. When the court identified the factors in this case, due to the lack of originality, the court concluded that no confusion is likely to exist, and therefore it would be inappropriate to expand the protection for the well-known mark.

5.3 Prohibition of Use

In order to comply with the Paris Convention requirements on prohibition of use, Article 72 of the 2014 Implementing Regulations provides that an interested party may apply to the local Administration for Industry and Commerce ("AIC") which are the local subordinates of the SAIC, for assistance in protecting a well-known trademark. When filing the request, the interested party must submit evidence showing that the trademark constitutes a well-known trademark under the 2014 Trademark Law. If the TMO decides that the mark qualifies as a well-known trademark in the PRC, the local AIC will order the infringer to cease the use of the offending trademark and it will confiscate and destroy any representations of the offending trademark. If it is difficult to remove the representations of the offending trademark from the goods, the authorities will confiscate and destroy both the representations and the goods. The 2014 Well-Known Trademarks Regulations set out the detailed procedures for such administrative enforcement. Article 7 of the 2014 Well-Known Trademarks Regulations provides that an interested party should make a request in writing for a prohibition of use to the municipal (prefectural) level or higher AIC of the place where the infringing act took place. Again the interested party must submit evidence proving that the trademark is well-known. If the local AIC agrees that the mark is well-known, it will transfer the case to a higher level AIC. If the higher level AIC also agrees that the mark is well-known, it will then transfer the case to the TMO for final determination. In other words, the trademark must be held to be well-known by two levels of AIC and the TMO before it is granted well-known status. As illustrated in the statistics as listed later in this chapter, this is no doubt a daunting task that only very few famous trademarks can overcome.

Procedures for requesting recognition as a well-known trademark often start with the interested party submitting relevant materials to the authorities (see the section "Recognition of Well-Known Trademarks" below).

5.4 Protection Given to "of a Certain Degree of Influence"

Well-Known trademark owners may find Article 32 of the 2014 Trademark Law of some assistance, although this provision makes no direct reference to well-known trademarks. The article provides that an application for registration of a trademark shall not create any prejudice to the prior right of another person, nor shall a party use unfair means to register preemptively a trademark "of some influence" that another person has used. Looking more closely at the language of the law, a "well-known" trademark seems to be a more difficult standard to reach than a trademark "of some influence". For this reason, owners of trademarks that do not have well-known status in the PRC may still be able to seek protection under Article 32 as a trademark "of some influence." Article 45 of the 2014 Trademark Law on invalidation of registrations of trademarks applies equally to marks violating Article 32. Article 32 of the PRC Trademark Law provides protection beyond the minimum protection under the Paris Convention and TRIPS. It also provides an alternate way for foreign well-known trademark owners to protect their trademarks in the PRC.

3.045 As in the case of a well-known mark, the invalidation is filed with the TRAB within five years from the date of the registration of the trademark, except where the registration of the trademark involves bad faith, in which case no limitation period would apply. Below are the factors to consider when making a determination of bad faith:

1. the applicant of the trademark in question has a business relationship with the cited trademark;
2. the applicant of the trademark in question and the prior user are in the same area or their products have identical marketing channels and markets;
3. the applicant of the trademark in question has had disputes with the prior users and should know about the trademark in prior use;
4. the applicant of the trademark in question has an internal staff relationship with the prior user;
5. the applicant of the trademark in question is applying for the purpose of getting an improper benefit, taking advantage of the fame and reputation of the prior trademark, forcing the prior user to cooperate with him and asking for unjustifiable transfer fee;
6. the prior trademark must be very distinctive; and
7. other relevant factors.

5.4.1 The “圣象 (Sheng Xiang in Chinese) & Device” Case

3.046 Power Dekor Group (“PDG”) owned the trademark “圣象 (Sheng Xiang in Chinese) & Device” registered in May 1997, which was registered for use on floor products in Class 19. Hebei Guangtai Gypsum Mining Co Ltd, (“Guangtai”) registered a similar trademark in March 2003 for use on gypsum, gypsum board and cement products in Class 19. PDG filed a cancellation application on the grounds that Guangtai’s products were connected to PDG’s products, as the functional use of both products involve building materials. Facing an unsuccessful decision by the TRAB, the applicant appealed to the Beijing No. 1 Intermediate People’s Court, providing evidence of use of the earlier mark by the applicant and related companies since 1995, an advertisement contract with CCTV and a Sheng Xiang commercial, and photos taken during sponsorship events in the Chinese football team. Given the above evidence, the Beijing No. 1 Intermediate People’s Court held that the applicant’s goods have been the top seller of floor coverings in China since 1998 and reversed the decision of the TRAB. However, in the appeal by the respondent, the Beijing High Court held otherwise and pointed at the evidential gap of the applicant. For instance, there was no evidence showing that the advertisements were actually broadcast in China before 2001. In the retrial at the Supreme People’s Court, the applicant further supplemented its evidence of use. The Supreme People’s Court recognized the well-known status of the cited trademark, and it also held that the disputed trademark owner, who operated in the same field, should have known of the fame of the earlier mark. As such, it was implied that the disputed trademark owner had copied the earlier

mark, and the disputed mark should be cancelled. Thus, through the recognition of its well-known trademark, the court protected PDG’s legitimate rights and interests.

5.5 Prevent Others from Using a Well-Known Trademark as an Enterprise Name

Protection of well-known trademarks covers the situation where the well-known trademark is not being used as a trademark but as an enterprise name. Article 58 of the 2014 Trademark Law provides that the registration of an enterprise name that is likely to deceive or mislead the public shall be dealt with in accordance with the 1993 Anti-Unfair Competition Law. 3.047

5.5.1 The “三一 (San Yi in Chinese)” Case

Plaintiff, SANY Heavy Industries Co Ltd (“SANY Heavy Industries”) owns trademark registration for “三一” (San Yi in Chinese, Registration Nos. 1550869 & 6131503). Defendant, Maan Yonghe Heavy Industries Technology Co Ltd (previous name is Maan Sanyi Heavy Industries Machinery Co Ltd, hereinafter “Yonghe”), without obtaining SANY Heavy Industries’ permission, used “三一” as part of its enterprise name, and marked “三一重工” or “三一机床” on its machine tool products, factory buildings, advertising and website. Further, it used the marks on its home page. SANY Heavy Industries sued Yonghe for trademark infringement and unfair competition. The Hunan Higher People’s Court, in a final civil judgment, (2012) Xiang Gao Fa Min San Zhong Zi No. 61, held that SANY Heavy Industries holds two registered trademarks and that “三一” has become a well-known trademark. Additionally, the Court held that “Sanyi” (“三一” in English) is the most significant and core part of SANY Heavy Industries’ enterprise name, and it is well-reputed in the market. For these reasons, the Court found that Yonghe’s acts met the requirements of trademark infringement and unfair competition and determined that the defendant must compensate SANY Heavy Industries for economic losses to the amount of RMB 400,000. 3.048

This case is an example of how the judicial cognizance of a well-known trademark can effectively protect the legitimate rights and interests of the trademark owner, and this case has very positive significance in terms of protecting the economic order, stopping “free-riding” and promoting famous brands. 3.049

6. RECOGNITION OF WELL-KNOWN TRADEMARKS

6.1 Changing Trends in Well-Known Trademark Protection

In accordance with the Paris Convention, well-known trademarks refer to a preferred class of trademarks that are given enhanced protection under the Trademark Law, even if they are not registered in China. However, many Chinese people are unable to fully appreciate the meaning of well-known trademarks as a term of art and erroneously equate the term as a symbol of high-quality goods and services. Consequently, companies with recognised well-known trademarks often included the eye-catching claim “a PRC Well-known Trademark” in their advertisements, whereas companies with 3.050

marks not yet recognised as well-known trademarks would include claims such as, “striving for recognition as a PRC well-known trademark” (正力争成为中国驰名商标) in their advertisements. Some local governments even rewarded businesses for their creation of trademarks by recognising these as “well-known trademarks” locally. As a result, the legal concept of a well-known trademark has been diluted over the years by the indiscriminate use of the term by businesses in advertising and marketing campaigns. Due to these circumstances, a new provision was introduced to the latest version of the Trademark Law (in 2014) to expressly prohibit the use of “well-known trademark” on goods, packaging, advertisements and other commercial activities. Hopefully, this will restore the sanctity of the well-known trademark.

6.2 Prior Recognition of Well-Known Status

- 3.051** If the Chinese authorities have recognised a trademark as a well-known trademark once before, subsequent recognition will be easier. Under Article 16 of the 2014 Well-Known Trademarks Regulations, to establish that a mark is well-known, an interested party may submit evidence showing that the trademark has enjoyed protection as a well-known trademark in the PRC. If the scope of protection of the new case is more or less the same as that in a previous case where the authorities have recognised a trademark as a well-known trademark, the examining authority may render a ruling, or handle the case, on the basis of the conclusion in the previous record of protection. The authority will do so only if the opposing party does not dispute the well-known status or, if it does dispute it, fails to submit evidentiary materials showing that the trademark is not well-known. If the opposing party disputes that the trademark is well-known and submits evidentiary materials showing that it is not well-known, or the scope of protection in the new case is different from that in the previous case, the authority will have to conduct a new examination to determine whether a trademark is well-known in the PRC.

6.3 Recognitions of Well-Known Trademarks by the Relevant Authorities

- 3.052** In practice, it has proven difficult for foreign trademark owners to have their trademarks recognised and protected as well-known trademarks. According to the statistics published on the SAIC’s website, despite the fact that an increasing number of trademarks have been recognised by the authorities to be well-known, only a very small percentage of these are foreign marks. This can be observed from the data outlined in the table 1:¹

Table 1. Trademarks recognised to be well-known by authorities in China

Year	Trademarks Recognised to Be Well-Known	
	Chinese Marks	Foreign Marks
2004	121 (85%)	21 (15%)
2005	166 (94%)	11 (6%)
2006	171 (95%)	9 (5%)

¹ The figures do not include trademarks that have been recognised to be well-known by the PRC courts.

Year	Trademarks Recognised to Be Well-Known	
2007	185 (93%)	13 (7%)
2008	210 (92%)	18 (8%)
2009	371 (95%)	19 (5%)
2010	669 (98%)	13 (2%)
2011	848 (97%)	26 (3%)
2012	1285 (99%)	13 (1%)

Source: TMO website <http://sbj.saic.gov.cn/cmsb/index.html>.

Recently, the TMO published a list of non-local trademarks in the “Well-Known Trademark” section of its website. Specifically, the TMO has listed 4,601 marks that have been determined to be well-known trademark in trademark proceedings during the period from 5 January 2006 to 4 January 2013. There are 156 (about 3.4%) non-local trademarks among a total of 4,601 well-known marks listed. The data above is compiled based on available information from the TMO website (<http://sbj.saic.gov.cn/cmsb/index.html>). As it only covers up to January 2013, it is not exhaustive and is not up-to-date.

In addition, even where the marks have been declared as well-known, the “likelihood of confusion” requirement of the 2014 Trademark Law affords the authorities broad discretion in determining whether to reject later unauthorised third-party trademark applications or whether to accept infringement complaints in cases where the marks at issue cover or are being used for dissimilar goods. Whenever possible, the examining authority would follow the “need-based” principle and avoid having to determine whether a trademark is well-known if the dispute can be adjudicated without the recognition of well-known status.

Notwithstanding the above, there were still a number of famous foreign marks that have been recognised to be well-known in China by the relevant authorities, such as “Louis Vuitton”, “Intel & Intel Inside”, “Volvo”, “Chanel (香奈儿)”, “Microsoft (微软)”, “Hilton” and “Yamaha”.

6.3.1 P&G v UK GOODAIR MATUN GROUP LIMITED:

宝洁公司 v 英国哥弟玛顿集团有限公司

The opposed mark was filed by a Hong Kong company named “UK GOODAIR MATUN GROUP LIMITED” on 20 October 2009, and it covers Class 25 goods, such as swimsuits and wedding gowns. The opposed mark was preliminarily approved and gazetted on 20 September 2012. P&G filed an opposition against the opposed mark in December 2012, and the TMO issued an unfavourable decision in October 2013. P&G subsequently appealed against the TMO’s decision to the TRAB. After reviewing the fame and use evidence submitted by P&G, the TRAB ruled that the opposed mark should not be approved for registration based on the following reasons:

1. The evidence submitted by P&G proves that, prior to the application date of the opposed mark, the opponent had engaged in large-scale advertising and promotion of the cited mark, and cosmetic products bearing the cited mark

5.11 Scope of Enforcement

- 11.062** The scope of authority for China's customs only extends to those parties that declare goods to customs for import/export. In most instances, these parties are not the manufacturers of the goods, but the import and export agents that arrange for the shipment of the infringing goods into or out of China.
- 11.063** In light of this limitation, customs has routinely limited its investigations and punishment decisions to only the relevant trading companies, leaving it to the rights holder to independently investigate and pursue the manufacturers.

CHAPTER 12

TRADEMARK LITIGATION

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1. CIVIL PROCEEDINGS

1.1 Primary Procedural Laws and Actions

Trademark rights holders (including trademark registrants and licensees) are entitled to institute civil proceedings with the People's Court. The rules of procedure for civil litigation are set forth in the Civil Procedure Law (民事诉讼法) (effective from 1 January 2013 (as amended by the Order of the President of the People's Republic of China (No. 59) promulgated on 31 August 2012)).¹ The Opinion of the Supreme People's Court on Several Issues Concerning the Application of Civil Procedure Law (最高人民法院关于民事诉讼适用范围的若干问题意见) (issued 14 July 1992) is another important source of civil procedure law. **12.001**

There are generally three types of civil actions with respect to trademark rights, namely, trademark infringement, unfair competition and contractual disputes. **12.002**

2. TYPES OF ACTIONS

2.1 Trademark Infringement

Trademark infringement proceedings are mainly governed by the Trademark Law (as amended in 2013 and effective from 1 May 2014),² its Implementing Regulations (effective from 1 May 2014)³ and relevant judicial interpretations issued by the Supreme People's Court. **12.003**

2.1.1 *Infringing Acts Defined*

According to the above laws, the following acts are defined as infringing:⁴ **12.004**

1. where one uses, without the permission of the trademark registrant, a trademark that is identical to a registered trademark on identical goods;
2. where one uses, without the permission of the trademark registrant, a trademark that is similar to its registered trademark on identical goods, or uses a trademark that is identical or similar to its registered trademark on similar goods and that is likely to cause confusion;
3. where there is sale of goods that infringes the exclusive right to use a registered trademark;
4. where there is forgery or unauthorised manufacture of representations of another's registered trademark or sale of representations of a registered trademark that were forged or manufactured without authorisation;

¹ Civil Procedure Law.

² Trademark Law (Revised in 2013 and enacted in 2014) (hereinafter known as the "Trademark Law").

³ Implementing Regulations of the Trademark Law of the People's Republic of China (Revised in 2013).

⁴ Article 57 of the Trademark Law.

5. where there is the substitution of the trademark of a trademark registrant without its consent and putting the goods bearing such substituted trademark back onto the market;
6. where one deliberately provides facilitating conditions for the infringement of another's exclusive right to use a registered trademark or assisting another in infringing the exclusive right to use a registered trademark; or
7. where one causes harm to another's exclusive right to use a registered trademark.

2.2 Unfair Competition

- 12.005** The Anti-Unfair Competition Law in the PRC (中华人民共和国反不正当竞争法) (effective December 1993) covers a number of different illegal business activities from bribery to dumping. In the intellectual property ("IP") arena, the law is mostly used against people who use, without authorisation, the name, packaging or trade dress peculiar to well-known merchandise, thereby causing confusion and causing purchasers to mistake the merchandise as well known. In other words, this law often comes into play against counterfeit products. In addition, the principle of "honesty and trustworthiness" set forth in Article 2 is applied from time to time by the People's Court to deter unfair acts that are not covered by more specific legal provisions.⁵

2.3 Contractual Disputes

- 12.006** Contractual disputes regarding trademark assignments, licences or other such transactions constitute the third type of civil action. The Trademark Law contains few, if any, substantive provisions regarding contractual disputes. Therefore, the Contract Law (合同法) (effective October 1999) is the fundamental governing law in this area.⁶

3. SPECIFIC PROCEDURES FOR FOREIGN-RELATED CASES

3.1 Foreign-Related Cases Defined

- 12.007** Special procedural provisions for foreign-related cases are set forth in Part IV⁷ of the Civil Procedure Law. In general, foreign-related cases are defined to include those where:
1. one or both parties is a foreigner, foreign enterprise or foreign organisation;
 2. the contract, or other matter in dispute,⁸ was established, modified or terminated in a foreign country; or
 3. the object of the action is located in a foreign country.

⁵ Article 2 of the Anti-Unfair Competition Law of the People's Republic of China.

⁶ Contract Law of the People's Republic of China (effective October 1999).

⁷ Division 4, Chapter XXIII of the Civil Procedure Law of the People's Republic of China (Revised in 2012).

⁸ Chapter VIII of the General Principles of Civil Law of the People's Republic of China.

3.2 Same Rights and Obligations

Foreign nationals, enterprises and organisations are guaranteed the same rights and obligations in the People's Courts as PRC citizens, enterprises and organisations. The Civil Procedure Law also ensures that international treaties to which China has acceded shall prevail if they conflict with provisions of the Civil Procedure Law, except those treaties where China has acceded and reserved certain rights.⁹ **12.008**

3.3 Legal Representation

A foreign national or entity suing or being sued in China that wishes to appoint a lawyer must appoint a lawyer admitted to practice law in the PRC. A foreign lawyer may assist a Chinese lawyer and attend hearings, but he or she cannot act directly in the capacity of a lawyer. **12.009**

A foreign party may appoint a Chinese lawyer by executing a power of attorney, in which the scope and length of the appointment should be clearly specified. This power of attorney must comply with certain certification formalities, which are set forth below.¹⁰ **12.010**

3.4 Certification Formalities

Powers of attorney, as well as evidence formed in another country, must be notarised in that country and then authenticated by the Chinese embassy stationed there in order to be admissible in the People's Courts. Alternatively, such documents can also be admitted if they comply with the certification formalities set forth in relevant treaties concluded between the PRC and the other country. Such certification formalities also apply to powers of attorney and evidence formed in Hong Kong, Macau or Taiwan.¹¹ **12.011**

Documents written in a foreign language must be accompanied by Chinese translations. Such translations should be performed by a reputable or approved translation company. One should first check to make certain that the court will accept a translation from the company chosen.¹² **12.012**

4. COMMENCEMENT OF A CIVIL ACTION

4.1 Filing a Legally Sufficient Complaint

Litigation in China commences with the filing of a written complaint in a court having jurisdiction over the matter. Once a complaint is received, the case-filing division of the court reviews it and determines whether the following four conditions have been satisfied: (i) first, the plaintiff must be a citizen, legal person or other organisation with **12.013**

⁹ Article 5 of the Civil Procedure Law (Revised in 2013).

¹⁰ Civil Procedure Law, at Article 263.

¹¹ *Ibid*, at Article 264.

¹² *Ibid*, at Article 70.

a direct interest in the case; (ii) second, there must be a specific defendant; (iii) third, there must be a specific factual basis and specific legal grounds supporting the action; and (iv) finally, the case must fall within the jurisdiction of the court in which it is filed.¹³ A case that meets the above criteria will be placed on the court's trial docket. The plaintiff is then notified of the case's acceptance and the defendant is notified of the complaint and is summoned to answer by a certain deadline. If the court rejects the complaint, it will dismiss the action and issue a written order to the plaintiff. This order can be appealed.¹⁴

- 12.014** After 1 May 2015, as a part of judicial reform, a new docketing procedure has come into effect in the Chinese courts. In essence, the Supreme People's Court changed the previous case filing review system into the new and current case filing registration system (从立案审查制改为立案登记制). In the first month since the rule went into effect, it was reported that 30 percent more cases were accepted in China, with most of them accepted immediately.¹⁵

4.2 Statute of Limitations

- 12.015** Normally, the statute of limitations for bringing an infringement action is two years starting from the date that the trademark rights holder knew or should have known about the infringement. However, if the infringement is still continuing at the time the suit is brought, and the exclusive right to use the registered trademark is still valid, even if the plaintiff brings a suit after more than two years, the People's Court will still issue a judgement stopping the infringement. However, the measure of damages should be calculated by reckoning back two years from the date the suit was brought.¹⁶
- 12.016** Actions taken by a rights holder to stop the infringement cause the statute of limitations to begin anew. Such actions may include filing a court action, taking administrative action or even sending a cease and desist letter.

4.3 Jurisdiction

- 12.017** The PRC court system has four levels, namely the Supreme People's Court, the Higher People's Courts at the provincial level, the Intermediate People's Courts at the municipal level and the Basic People's Courts at the county level.¹⁷
- 12.018** With respect to subject matter jurisdiction, first-instance trademark civil proceedings are normally held before an Intermediate People's Court or above. Basic People's Courts can hear such cases if they have first been approved by the Supreme People's Court. However, Basic People's Courts are excluded from hearing foreign-related

¹³ Civil Procedure Law, at Article 119.

¹⁴ *Ibid*, at Article 123.

¹⁵ Finder S, *New Docketing Procedures Come to the Chinese Courts*, Supreme People's Court Monitor (2015), <http://supremepoplescourtmirror.com/tag/case-filing>.

¹⁶ Article 18 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in Hearing Civil Cases Related to Trademark Disputes.

¹⁷ Chapter II, Section 1 of the Civil Procedure Law.

cases.¹⁸ For cases in which the value of the claim is high, or the impact will be great, the Higher People's Court may have original jurisdiction.¹⁹

With respect to personal jurisdiction, trademark cases fall under the jurisdiction of the People's Court of the place where: (a) the infringer is domiciled; (b) where an act of infringement occurred; or (c) where the infringing products have been stored, sealed or detained. The place "where the infringing products have been stored" means the place where large quantities of the infringing products have been stored or hidden, or the place where they are regularly stored or hidden. The place where they are "sealed or detained" means the place where an administrative body such as customs, or the Administration for Industry and Commerce, have sealed up or detained the infringing products.²⁰

With respect to a contract dispute, jurisdiction falls to the People's Court where the defendant is domiciled or where the contract is performed.²¹ Parties are free to designate the forum by contract but are limited to: (a) where the contract is signed; (b) where the plaintiff is domiciled; or (c) where the object of the action is located.²²

4.4 Service of Process

Under the Civil Procedure Law, the People's Court is responsible for serving process on the defendants. In general, process documents are required to be delivered to the person being served, who then must acknowledge receipt by signing a document. In cases where the recipient is a legal person or other organisation, the documents must be served on its legal representative, the organisation's leadership or the relevant person in charge of receiving documents.²³

Where direct service is difficult, the People's Court may serve process by mail or through the assistance of another tribunal.²⁴ If the whereabouts of the person to be served are unknown or the other methods of service have been exhausted, the documents may be served by public announcement.²⁵

Parties located in foreign countries may be served in accordance with relevant judicial assistance treaties to which China is a party. But if the foreign party has entrusted a local lawyer within the territory of China, the documents will be served directly to that local lawyer.²⁶

The complaint must be forwarded for service by the court within five days of the case being docketed. A defendant must file a defence within 15 days (or 30 days if the

¹⁸ Article 18 of the Civil Procedure Law.

¹⁹ Civil Procedure Law, at Article 19.

²⁰ Article 6 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in Hearing Civil Cases Related to Trademark Disputes.

²¹ Article 23 of the Civil Procedure Law.

²² Civil Procedure Law, at Article 34.

²³ *Ibid*, at Article 85.

²⁴ *Ibid*, at Article 88.

²⁵ *Ibid*, at Article 92.

²⁶ Paragraph 83 of the Opinions of the Supreme People's Court on Several Issues Concerning the Application of the Civil Procedure Law (1992).

defendant has no PRC domicile)²⁷ from receipt of the complaint. When the defendant files a defence, the People's Court must send a copy of it to the plaintiff within five days from its receipt. Failure to file a defence will not result in a default judgement and will not prevent the case from being tried.²⁸

4.5 Case Acceptance Fee

- 12.025** Upon acceptance of a case, the plaintiff is required to pay a case acceptance fee to the court. The fee is levied on a sliding scale according to the value of the claim and is categorised into property disputes and non-property disputes. Details are set out in the Measures for the Payment of Litigation Fees (诉讼费用交纳办法), which were issued by the State Council on 19 December 2006 and became effective on 1 April 2007.
- 12.026** Although the case acceptance fees are payable in advance by the plaintiff, the imposition of fees will ultimately be decided by the judgement. Normally the losing party will pay the case acceptance fees. If both parties are held liable, for instance, the claiming party is also found to be at fault, such as by claiming an unreasonably high amount of compensation, the People's Court may divide the fees between both parties. However, the costs incurred by the parties in engaging counsel to conduct the case on their behalf are not recoverable except where the relevant legislation or regulations applicable to the claim in question specify otherwise.

5. PRETRIAL PROCEDURE

5.1 No Regularised Evidence Discovery Process

- 12.027** Pretrial procedure, at least as that term is understood in the United States, is much simpler in the PRC. This is mainly because pretrial in the United States is largely devoted to the discovery of otherwise hidden evidence prior to trial. With one notable exception discussed below, pretrial discovery procedure does not exist in the PRC. There is no serving of interrogatories, requests for production of documents or the taking of depositions. All discovery work should be accomplished, usually using stealthy means, prior to the formal initiation of the action.
- 12.028** At present, the PRC court system is in transition away from a civil law inquisitorial system, in which the judge actively investigates a case, towards an adversarial system, in which the parties are responsible for the investigation. Unfortunately, the evidence collection mechanisms currently available to parties remain undeveloped. These are likely to increase over time as pressures mount on PRC courts to more efficiently redress risks and losses.
- 12.029** As the system currently exists, plaintiffs have an advantage in simple contract disputes because, usually, most of the relevant evidence exists with the plaintiffs and not the defendants. However, for fraud matters – which predominate in the IP area – the lack of

²⁷ Article 268 of the Civil Procedure Law (Revised in 2012).

²⁸ Civil Procedure Law, at Article 125.

pretrial discovery gives many defendants a decided advantage. This is because usually most of the relevant evidence exists with the defendants and not the plaintiffs. For instance, a plaintiff may discover that a defendant is producing counterfeit items, but unless that plaintiff can review that defendant's books and records, it is difficult to show the volume of counterfeiting and the actual amount of damages. At present, unusual amounts of creativity, diligence and patience are required from plaintiffs to mount successful actions that truly remedy the level of harm caused.

5.2 Evidence Collection

As mentioned earlier, many parties are forced into employing stealthy means to collect the evidence they need to sustain their cases. However, before describing some current investigation techniques, it is important to keep in mind another key difference between litigation practices in the United States and the PRC. In the PRC, most evidence will not formally be confronted and challenged at trial. As described later, trials in the PRC are more akin to closing arguments in the United States with the parties and the judge asking questions. For the most part, witnesses are not called and are not cross-examined. Their testimony is usually by way of letter or affidavit to the court.²⁹ Similarly, exhibits are not authenticated and then moved into evidence.³⁰ This does not mean the evidence comes in unexamined. Rather, such examination is theoretically incorporated in a manner in which evidence is thought best collected – under the supervision of a notary.³¹

In the United States, where the confrontation of evidence is a constitutional right, notarisation is nearly meaningless. As a practical matter, notarised documents in the United States are not legally more significant than other non-notarised documents. However, in other countries, including the PRC, notaries play a far greater role in vouching for the validity and truthfulness of evidence. In the PRC, notaries are supposed to be neutral observers of actual evidentiary events who then objectively report their observations back to the court. An example is set forth below.

5.3 Notarised Trap Purchases

One of the most important investigation techniques in the PRC is the so-called notarised trap purchase. In the United States, if someone knows that a shop is selling counterfeit goods, an ordinary person – or even a party – can go into the shop, make a purchase and then testify about it in court. Nothing more is required, and it is up to the judge or jury to determine if the person is telling the truth. In the PRC, such testimony is unlikely to even be allowed in court – especially from a party – unless the purchase was observed and reported by a notary. In such a case, the notary's report will be

²⁹ Zhang M and Zwier PJ, "Burden of Proof: Developments in Modern Chinese Evidence Rules" (Spring 2003) 10 *Tulsa J. Comp. & Int'l L* 419, 468 – 469 (describing the extremely low appearance rate of witnesses in Chinese courts).

³⁰ The process of authentication is described at Fed. R. Evid. 901 – 902. Generally, for something to be admitted as evidence in trial, evidence must first be presented showing that the item in question is what the proponent claims. For instance, in a telephone call, in order to claim that person X made a statement during a call, the witness must first provide evidence showing how he or she is familiar with person X's voice. This is called "authentication".

³¹ Article 69 of the Civil Procedure Law.

considered by the court as reliable. It is practically unheard of that the notary would actually appear in court, testify and be cross-examined. The notary's bestowed neutral status vouches for his or her reliability.

12.033 Not all evidence and investigations can be notarised. In such instances, it is critical that measures, such as tape recording or videotaping, are employed to allow for independent verification. Although PRC courts are trying to encourage witness testimony, the general attitude remains that witnesses are subject to powerful personal interests and external pressures that cause them to bend the truth and lie. All non-notary witnesses' statements are viewed with great suspicion. Unless there is an independent method for confirming what is represented, such representations are very likely to be ignored or heavily discounted by the court.

5.4 Evidence Produced by Government Agencies

12.034 Another important investigation technique (strategy, actually) is to plan for government agencies to produce the evidence in the court. This also provides the inherent indicia of reliability that the court looks for in all evidence. For instance, in a counterfeit case, if the relevant governmental agency, such as the Administration for Industry and Commerce ("AIC"), can be persuaded to conduct a raid, it is in a party's best interest to work closely with the AIC to make sure it seizes and then stores as much relevant evidence as possible – especially documents. If the AIC (as opposed to a party) then produces the evidence in the court, its validity is practically unquestionable.

12.035 Besides the seizure of physical evidence and documents, AIC officials are also empowered to conduct investigations, which include the taking of witness statements. Working with the AIC and other government agencies to collect such statements prior to filing a court case can be an effective means for solidifying facts and eliminating possible bogus defences. The inability to conduct formal discovery prior to trial in China makes it nearly impossible to collect inconsistent statements for impeachment. However, with careful planning and a close working relationship with government officials, similar kinds of statements can be collected early on, which then limits an opponent's ability to "spin" or even lie about the facts of the civil matter.

5.5 Evidence Preservation

12.036 In some circumstances, parties may apply *ex parte* to the court for the preservation of evidence.³² This is the one notable pretrial discovery device mentioned earlier. The required written application must include the following:³³

1. sufficient information identifying the person or entity holding the evidence;
2. specific subject matter and scope of the application;

³² Evidence preservation rules can be found in various laws. For instance, the Trademark Law contains such a provision at Art 66; China's Civil Procedure Law contains such provisions at Art 81; and finally the Provisions from the Supreme People's Court Concerning Evidence in Civil Matter contains such provisions at Arts 17–19.

³³ Articles 100 and 101 of the Civil Procedure Law.

3. relevance of the evidence for which the application is made and for which preservation is requested; and
4. the cause of the application, including a specific statement that the evidence is likely to be destroyed or hard to obtain or that the interested party cannot collect the evidence on its own for "objective reasons".³⁴

The phrase "objective reasons" is not further defined. This allows for flexibility, which can be helpful in unusual circumstances where the judge is ultimately cooperative. It can also prove difficult in antagonistic situations where a judge can allege that no "objective reason" was provided. **12.037**

At least in trademark matters, an application to preserve evidence can be filed even prior to the initiation of formal proceedings, although such proceedings must follow within 15 days or the preservation order is discharged.³⁵ Courts in trademark cases must rule on evidence preservation applications within 48 hours.³⁶ In non-trademark matters, courts are not so constrained. **12.038**

Where an evidence preservation order may cause a loss to the opponent, the court may require the applicant to provide a financial guarantee.³⁷ The amount of the guarantee is not specified in the law, but typically an applicant should expect to post a guarantee equal in value to the material to be seized (and often in cash – although this is changing). Anecdotally, some courts have found guarantees sufficient where they are a small percentage of the total value – but this is the exception rather than the rule. **12.039**

5.6 Preliminary Injunctions

Beyond evidence preservation matters, affected parties may also apply *ex parte* for injunctions to immediately halt infringing or damaging acts. Such applications may be made even prior to the initiation of formal proceedings. **12.040**

Similar to evidence preservation matters, preliminary injunction applications must be in writing and must contain the following information: **12.041**

1. sufficient information identifying the person or entity to be enjoined;
2. specific subject matter and scope of the injunction; and
3. the cause of the application, including a specific statement that failure to promptly suspend the damaging activity will cause irreparable injury to the legitimate rights and interests of the applicant.³⁸

³⁴ Article 3 of the Interpretation of the Supreme People's Court on the Application of Law for Stopping the Infringement upon the Right to the Exclusive Use of a Registered Trademark and Preserving Evidence before Initiating Litigation (2002).

³⁵ *Ibid.*, at Article 12.

³⁶ *Ibid.*, at Article 9.

³⁷ Articles 100 and 101 of the Civil Procedure Law.

³⁸ Article 3 of the Interpretation of the Supreme People's Court on the Application of Law for Stopping the Infringement upon the Right to the Exclusive Use of a Registered Trademark and Preserving Evidence before Initiating Litigation (2002).

CHAPTER 16

OTHER INTELLECTUAL PROPERTY RIGHTS AND RELATED AREAS OF LAW

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1. OVERVIEW

Rights other than trademark rights often come into play, even if an infringement appears to be a trademark infringement. Sometimes, exercising these rights may give additional protection to the trademark. Even if trademark protection is futile in a particular situation, exercising these rights could be an alternative way to safeguard the trademark owner's other intellectual property ("IP") interests. Of course, effectiveness of rights enforcement is one of the most important factors to consider when making the choice. Effectiveness relates not only to the legal framework of a particular kind of right, but also to the actual practice of the relevant authorities in upholding these rights. At the same time, attention must be paid to the term of the IP right. While a trademark registration can be renewed, copyright and patent rights expire after a certain period of time. This chapter will give an introduction to the following IP right regimes: **16.001**

1. copyright;
2. computer software;
3. Internet;
4. patents; and
5. enterprise names.

The sections below will deal with each right individually. Important details will be highlighted, and the relevant enforcement mechanisms and penalties available will be discussed. **16.002**

We will then discuss the following areas of law: **16.003**

1. unfair competition;
2. product quality and consumer protection;
3. advertising; and
4. customs recordal of IP rights.

Customs recordal of IP rights is in itself a mechanism to facilitate the enforcement of trademark rights. Unfair competition claims are an additional way, or an alternative, to combat trademark infringement. Product quality and consumer protection laws are designed, *inter alia*, to lay down sanctions against fake and substandard products, which might at the same time be an infringement of a trademark. The use of trademarks in advertising may also be subject to regulations. As such, the relevant provisions in the advertising laws and regulations will have to be considered by trademark owners and advertisers. **16.004**

2. COPYRIGHT

2.1 Legal Framework

16.005 The law governing the general protection of copyright in China is the Copyright Law of the PRC (the "Copyright Law"), which first became effective on 1 June 1991 and was amended on 27 October 2001, and again later on 1 April 2010. The Implementing Regulations of the Copyright Law of the PRC (the "Copyright Implementing Regulations") first became effective on 1 June 1991 and was subsequently revised on 15 September 2002 and later on 1 March 2013. A third amendment to the Copyright Law is currently in progress, since the National Copyright Administration announced its plan to do so in July 2011, as further discussed below. Note that this third amendment to the Copyright Law is still in progress. The Legislative Affairs Office of the State Council has promulgated the draft for public comments back in 2014.

16.006 China has implemented the Berne Convention and the Trade-Related Aspects of Intellectual Property Rights Agreement ("TRIPS") into its Copyright Law. For example, it has provided explicit recognition for the protection of rental rights in respect of films (cinematographic works) and software (except where the software is not the essential object of the rental), the right of public performance of works in the public (including the presentation of films), and the right to communicate works to the public through information networks.¹ The Copyright Law specifically permits the full or partial assignment of economic rights in copyright subject matter.² The Copyright Law also provides explicit protection for databases, i.e., original compilations of works.³

2.2 Scope of Application

2.2.1 Article 3 of the Copyright Law

16.007 Article 3 of the Copyright Law provides that works of individuals and legal entities, whether published or not, are eligible for protection. Such works include literary, artistic, natural science, social science, engineering technology works, etc., created in any of the following forms:

1. written works;
2. oral works;
3. musical works, operatic and dramatic works, works of *quyi* (folk art), choreographic works and acrobatic works;
4. works of fine art and architectural works;
5. photographic works;

¹ Article 10 of the Copyright Law.

² *Id.* at Articles 10 and 25.

³ *Id.* at Article 14.

6. cinematographic works and works created by a process analogous to cinematography;
7. graphics works such as drawings of engineering designs, drawings of product designs, maps, schematic drawings, etc., and three-dimensional model works;
8. computer software; and
9. other works as stipulated in laws and administrative regulations.⁴

Definitions for the different forms of "works", such as "architectural works", "graphic works" and "model works" are set forth in the Copyright Implementing Regulations.⁵ **16.008**

2.2.2 Article 5 of the Copyright Law

Article 5 of the Copyright Law expressly excludes the following subject matter from copyright protection: **16.009**

1. laws, regulations, resolutions, decisions and orders of government organs, other documents of a legislative, administrative or judicial nature, and their official translations;
2. news of current events; and
3. calendars, numerical tables in common use, forms in common use, and formulas.⁶

Works that are banned from publication or distribution under other laws are also excluded.⁷ **16.010**

2.2.3 Article 10 of Copyright Law

Under Article 10 of the Copyright Law, copyright includes the following economic and moral rights: **16.011**

1. the right of publication, i.e., the right to decide whether or not to make a work available to the public;
2. the right of attribution, i.e., the right to affix one's name to a work in order to indicate the author's identity;
3. the right of revision, i.e., the right to revise or authorise others to revise one's work;
4. the right of integrity, i.e., the right to protect one's work against misrepresentation and distortion;

⁴ Copyright Law at Article 3.

⁵ Article 4 of the Copyright Implementing Regulations.

⁶ Article 5 of the Copyright Law.

⁷ Copyright Law at Article 4.

5. the right of reproduction, i.e., the right to make one or more copies of one's work through such means as printing, photocopying, making a rubbing, making a sound recording, making a video recording, duplicating a recording, reproducing by photographic or cinematographic means;
6. the right of distribution, i.e., the right to provide originals or reproductions of one's work to the public by means of sale or gift;
7. the right of rental, i.e., the right to permit others to temporarily use one's cinematographic work, work created by a process analogous to cinematography or computer software for consideration, unless the computer software itself is not the essential object of the rental;
8. the right of exhibition, i.e., the right to publicly display the original or a reproduction of one's work of fine art or photographic work;
9. the right of performance, i.e., the right to publicly perform one's work and to publicly broadcast by any means a performance of one's work;
10. the right of projection, i.e., the right to publicly show the original or a copy of one's work of fine art, photographic work, cinematographic work or work created by a process analogous to cinematography by means of such technical equipment as a movie projector, slide projector, etc.;
11. the right of broadcast, i.e., the right to publicly broadcast or communicate one's work by means of wireless transmission, to communicate one's broadcast work to the public by wire transmission or rebroadcast, and to communicate one's broadcast work to the public through a loudspeaker or any other analogous instrument transmitting symbols, sounds or images;
12. the right of communication via an information network, i.e., the right to make one's work available to the public by wire or by wireless means, enabling members of the public to access the work at a time and from a place individually chosen by them;
13. the right of cinematization, i.e., the right to fix a work in a medium by a cinematographic process or a process analogous to cinematography;
14. the right of adaptation, i.e., the right to change one's work thereby creating an original and new work;
15. the right of translation, i.e., the right to convert one's work from one language to another language;
16. the right of compilation, i.e., the right to cause one's work or extracts of one's work to become a new work through selection or arrangement and assembly; and
17. other rights to which a copyright owner is entitled.⁸

⁸ Copyright Law at Article 10.

The rights in points 5 to 17 above can be licensed or assigned. The Copyright Implementing Regulations require exclusive licence agreements to be in writing, and they also provide for voluntary recordal of licences, as well as assignments.⁹ **16.012**

2.2.4 Clarification of the Rights of Co-authors

If it is clear that a certain part of a work is created by one of the co-authors, then such co-author has the right to exploit that certain part independently. However, where a jointly created work cannot be used by dividing it and the co-authors cannot reach an agreement on the terms for their separate uses of the work, the Copyright Implementing Regulations permit each co-author to exercise his or her rights freely, absent "proper cause" from the other co-author.¹⁰ **16.013**

On the other hand, for assignment of the work, the Copyright Implementing Regulations require the agreement of all co-authors in cases where one of them wishes to assign his or her rights to another party. Consent from all co-authors is clearly required for assignment of the entire copyright of the work to another party. The Copyright Implementing Regulations also require a co-author to account for and share any gains obtained through his or her separate use of the work with the other co-authors.¹¹ **16.014**

2.2.5 Extended Protection for Foreign Works

The provisions of the Copyright Law and the Copyright Implementing Regulations render China's copyright legislation compliant with Article 14 of the TRIPS Agreement (TRIPs) also requires compliance with the Berne Convention for the Protection of Literary and Artistic Works (the "Berne Convention", 1971). Works by foreigners or stateless persons will enjoy protection in China if: (a) they were first published in China; (b) the work was published outside China but there exists an international treaty acceded to by both the foreigner's or stateless person's home country or country of habitual residence and China; or (c) the work was first published in a country which is a signatory to an international treaty which China has acceded to, or is simultaneously published in a signatory country and a non-signatory country.¹² Works of foreigners or stateless persons that are published in China within 30 days after first publication outside China are deemed as having been simultaneously published in China.¹³ **16.015**

Consistent with China's commitments under the WTO, the Copyright Implementing Regulations explicitly recognise protection for performances and sound recordings produced or distributed by foreigners and stateless persons.¹⁴ Likewise, protection is explicitly recognised for rights in radio and television programs broadcast by foreign radio and television stations.¹⁵ **16.016**

⁹ Article 23 of the Implementing Copyright Regulations.

¹⁰ Implementing Copyright Regulations at Article 9.

¹¹ *Ibid* at Article 9.

¹² Article 2 of the Copyright Law.

¹³ Article 8 of the Implementing Copyright Regulations.

¹⁴ Implementing Copyright Regulations at Articles 33 and 34.

¹⁵ *Ibid* at Article 35.

2.3 Term of Protection

- 16.017** Under the Copyright Law, an individual right owner's right of publication and the various economic rights are protected for the life of the author plus 50 years. It is unclear whether an author's moral rights, such as attribution, revision and integrity are perpetual. However, since the law has explicitly excluded these moral rights from calculation of the protection term,¹⁶ the mainstream scholars hold that there is no time limitation to the protection of moral rights.
- 16.018** For any work created by a legal entity rather than an individual's work, the right of publication and other economic rights are protected for a period of 50 years from the date of first publication.¹⁷
- 16.019** Also, for the photographic works, cinematographic works and other works created by a process analogous to cinematography, copyright protection will terminate at the year end of the 50th year since the date of first publication.

2.4 International Conventions

- 16.020** China acceded to almost all important multinational copyright conventions. These include, for example: the Berne Convention, as from 15 October 1992; the Universal Copyright Convention, as from 30 October 1992; the Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of Their Phonograms, as from 30 April 1993; the Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of Their Phonograms, acceded in 1993; the WIPO Copyright Treaty ("WCT"), acceded in 2007; the WIPO Performances and Phonograms Treaty ("WPPT"), acceded in 2007; and the Beijing Treaty on Audiovisual Performances, joined in 2012 and ratified in 2014. As a WTO member, China is also a contracting party of the TRIPS.
- 16.021** Implementation of international copyright treaties acceded is done through the Regulations for the Implementation of International Copyright Treaties (the "Treaties Regulations"), which came into effect on 30 September 1992. The Treaties Regulations stipulate that upon the effective date of these international copyright treaties, works not yet in the public domain in their country of origin will be protected for the period of time specified in the Copyright Law and the Copyright Implementing Regulations.¹⁸ As expressly stated in the Treaties Regulations, international copyright treaties to which China has acceded prevail over the Treaties Regulations in cases where the two are in conflict.¹⁹

2.5 Registration

- 16.022** Unlike the trademark system, registration is not a prerequisite to the enjoyment of copyright protection in China. However, if there is a copyright registration system, resolution of disputes over ownership of copyrights could be facilitated. The

¹⁶ Article 20 of the Copyright Law.

¹⁷ *Ibid* at Article 21.

¹⁸ Articles 5 and 17 of the Treaties Regulations.

¹⁹ Treaties Regulations at Article 19.

registrations themselves may also be used as preliminary evidence to facilitate the resolution of copyright disputes in general. These are the objectives of the voluntary registration system of literary and artistic works in China.

The system is laid down in the Trial Measures for the Voluntary Registration of Literary and Artistic Works ("Voluntary Registration Measures"), which was issued by the National Copyright Administration (the "NCA") on 31 December 1994 and came into effect on 1 January 1995. As registration is not compulsory, the Voluntary Registration Measures state that failure to register will not affect the automatic protection of copyrights in accordance with Chinese laws.²⁰ Note that the Voluntary Registration Measures apply not only to literary and artistic works, but also to audio and video products (see Article 14 of these Measures). Although computer software is not within the scope of this registration system, it can be registered in accordance with the relevant regulations to be discussed further.

Some kinds of work are not registrable under the Voluntary Registration Measures. These include works that are not protected by Chinese copyright law, works for which the copyright protection period has expired and works for which publication or broadcasting are prohibited. If one of these kinds of works is registered, the registration is liable to cancellation. A registration will also be cancelled if the details of the registration do not accord with the facts, if the original applicant requests cancellation or if the registration duplicates an earlier registration.

Authors, other individuals or legal persons holding copyrights, owners of exclusive rights or their agents are eligible to register the copyright works. Foreign parties (and parties from Hong Kong, Taiwan and Macau) are not barred from the system, but they have to go to the Copyright Protection Center of China, an entity appointed by the National Copyright Administration ("NCA"), to be registered. Local authors can opt to register their works with the Provincial-level Copyright Bureaus, which are responsible for the registration within their own territorial jurisdictions. If there are co-authors or multiple persons holding the copyright, the place of residence of the person entrusted with the registration has to be looked at in deciding which Copyright Bureau to go to. Enterprises and other units should apply to the Copyright Bureau in their place of business.

Materials or documents to be submitted for an application include proof of identification and evidence of copyright ownership (such as duplicates of cover pages, copies or photos of original manuscripts, models, copies of contracts for entrustment or exclusive rights).²¹ There is a prescribed application form for local parties and another prescribed form for works involving foreign parties. There is also an application fee. Registration authorities will examine and decide on an application within one month of submission. If the registration is successful, a certificate will be issued. The registration number will consist of the code referring to the region, the year, the code referring to the type of work and a serial number. Subject to a search fee, registration records are open to public inspection. However, the deposit of work will not be accessed unless the search request is made by the registrant.

²⁰ Article 2 of the Voluntary Registration Measures.

²¹ Voluntary Registration Measures at Article 8.

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2.6 Ownership

16.027 In general, the Copyright Law regards the individual author of a work to be the copyright owner.²² Exceptions to this rule include cinematographic and television works, as well as video and sound recordings. Copyright for these works vests in the producers.²³ If the creation of the work is sponsored by and represents the will of a legal person (e.g. a company) or other organisation, and responsibility for the work is borne by such legal person or organisation, then such legal person or organisation will be deemed to be the author (thus copyright owner) of the work in question.²⁴

16.028 For occupational works, the situation is a little bit more complicated. Occupational works are works created by an individual in order to accomplish a work task assigned by his or her employer. Under the Copyright Law, the general position is that the copyright of such work vests in the employee, provided that the employer has the right of priority in using the work within its scope of business. Until two years after the completion of the work, the individual author may not authorise, without the consent of the employer, third parties to use such a work in the same way in which it is used by the employer. In addition, for the following two exceptions of occupational works, the right of attribution vests in the author, while the other copyright rights vest in the employer:

1. drawings of engineering designs, drawings of product designs, maps, computer software, etc., created mainly by using the material and technical resources of a legal person or other organisation and the responsibility for which is borne by such legal person or other organisation; and
2. occupational works in which the copyright vests in a legal person or other organisation by law, administrative regulation or contract.²⁵

16.029 For commissioned works, the ownership of the copyright in a commissioned work has to be decided according to the contract between the commissioner and the commissioned party. If the contract does not expressly provide for ownership or if no contract has been concluded, copyright will vest in the commissioned party.²⁶

2.7 Infringement

16.030 Infringement of copyright occurs when a party, without the consent of the copyright owner exploits a work or a product with means set out in the Copyright Law (see footnote 27 and especially Articles 10, 12, 14, 15, 36, 38, 42, and 45 of the Copyright Law) or commits any of the acts set out in Articles 47 and 48 of the Copyright Law.²⁷

²² Article 11 of the Copyright Law.

²³ Copyright Law at Article 15.

²⁴ *Ibid* at Article 11.

²⁵ *Ibid* at Article 16.

²⁶ *Ibid* at Article 17.

²⁷ The PRC Copyright Law is a legislation covering both the "copyrighted" and the "neighboring rights". Articles 36, 38, 42, and 45 provided certain "neighboring rights" to publishers, performers, and producers of sound/video recordings and TV/radio stations.

2.7.1 Copyright Infringements under Article 47

The following acts constitute copyright infringement under Article 47 of the Copyright Law: **16.031**

1. publication of a work without permission from the owner of the copyright therein;
2. publication of a joint work as a work created solely by oneself, without permission from the other co-authors;
3. affixing one's name to another's work in pursuit of fame and profit where one has not participated in the creation of such work;
4. distortion and mutilation of a work;
5. plagiarism of another's work;
6. unless the Copyright Law provides otherwise, use of a work in ways such as exhibiting, cinematizing or treating by a process analogous to cinematizing, or use of a work through adapting, translating, annotating, etc., without permission from the copyright owner;
7. use of another's work without paying remuneration when remuneration should be paid;
8. unless the Copyright Law provides otherwise, rental of a cinematographic work, work created by a process analogous to cinematography, computer software, or sound or video recording, without the permission of the owner of the copyright or neighbouring rights therein;
9. use, without the permission of the publisher, of the layout of a book or periodical published by it;
10. live broadcast of a performer's performance or public transmission of his or her live performance or a recording of his performance without his or her permission; or
11. other infringements of copyright or neighbouring rights.²⁸

2.7.2 Copyright Infringements under Article 48

Article 48 of the Copyright Law provides additional acts that constitute Copyright infringement, which are as follows: **16.032**

1. reproduction, distribution, performance, projection, broadcast or compilation of a work or communication of the same to the public via an information network, without permission from the owner of the copyright therein, unless the Copyright Law provides otherwise;

²⁸ Copyright Law at Article 47.