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Better convoy for trademark protection in 2018

Nikita Min Xue from HongFangLaw looks into the ways the newly amended anti-unfair competition law in China has impacted on trademark practice in the country.

It has been 24 years since the implementation of the first *Anti-Unfair Competition Law of the People's Republic of China* on Dec. 1, 1993 (hereinafter referred as "the old law") and the awaited amendment draft on this law has been finally approved by the Standing Committee of the National People's Congress on Nov. 4, 2017. Announced by the 77th Order of the President, the newly amended *Anti-Unfair Competition Law* (hereinafter referred as "the new law") has just become effective starting from Jan. 1, 2018.

There are a total of 32 clauses within the newly amended law and by comparing them with the thirty-three clauses in the old law, every single one from the old version has been amended, either by being removed, replaced, changed, or expanded. The new law has managed to correct some old clauses that were duplicated, unclear, and with inconsistent descriptions in connection with *the Trademark Law, the Advertisement Law, the Anti-Trust Law,* and *the Bidding Law*.

It would be beneficial at this point to discuss the impact on trademark law and practice executed by the administrative authority and the judicial authority. We could summarize it mainly with the following five points:

1) Application of law on counterfeiting other's registered trademark;
2) Definition and protection on the business identifiers that have certain market influence;
3) Analysis of the differences between "substantial confusion" and "sufficient degree to cause confusion";
4) Explicating the confusing clause existing under the current *Trademark Law of China* about dealing with using other's registered trademark or unregistered well-known trademark as one's trade name;
5) The clear and indicative process implemented to change an improperly used company name that was already registered under relevant administrative authority.

From a superficial first look, it would seem that the new law has less influence on trademark matters, since it has removed the only two instances of the word "trademark" from the old law: on Clause 5(1) of Chapter 2nd & Clause 21(1) of Chapter 4th. However, after further consideration we have instead a different understanding on this topic. The new law has given a wider coverage and protection on intellectual property, for instance on trademark issues and trade name issues, by expanding the definition scope and, indeed, the new law has acted as a better convoy for trademark protection and practice. Let us review the main trademark-related changes of some relevant clauses between the old law and the new law.

Firstly, as a trademark practitioner, the first and the main change noted is the removal of Clause 5(1) of Chapter 2, followed by the removal of Clause 21(1) of Chapter 4, as these two clauses are related to each other: the definition of unfair competition and how to deal with such activity by law. However, such clauses were all referring to *the Trademark Law* directly, which had little sense to have been included in *the Anti-Unfair Competition Law* in the first place. On the other hand, *the Trademark Law*, which has just been amended for a third time and effective since May 1, 2014 – after it's firstly implementation in 1982 – has clearly described the activity of counterfeiting other's registered trademarks with Clause 57 of Chapter 7 and the legal consequences for such counterfeiting activity with Clause 60 in same chapter. Such removal would make these two laws more integrated and precise.

Chapter 2nd, Clause 5th states: Any business owners shall not adopt any of the following unfair means to carry on

Résumé

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transactions during business activity and cause damage to competitors: (1) counterfeiting other's registered trademark; …

Chapter 4th, Clause 21st states: When a business owner counterfeits other's registered trademark, uses other's company name or personal name as their own, without authorization, counterfeits or fraudulently uses symbols of quality such as symbols of authentication and symbols of famous and high-quality goods, falsifies the origin of the goods and makes false representations which are misleading as to the quality of the goods, it or he shall be punished in accordance with the clauses of the Trademark Law of the People's Republic of China and the Product Quality Law of the People's Republic of China…[1]

A relevant progress made in relation to trade dress and trade name was embodied in Clause 6 of the new Law (*[2]* below). The significance of such change on the above term has clearly shown a big step forward in law legislation in China. In addition, it uses quite a few terms that never appeared in the old law and it does not refer to any participating elements in the past years' market activity, such as "trade name", "social organization name", "the pseudonym", "the stage name", "the translated name", "domain name", "website and webpage" and so on. Without a doubt, in recent years, there were quite a few cases falling into these terms' scope and causing big influence to the market, such as the Michael J. Jordan trademark case and the Beijing Qing Feng dumpling trade name case: all these practices have pushed forward our law's development.

> *"The new law has given a wider coverage and protection on intellectual property, for instance on trademark issues and trade name issues."*

Chapter 2nd, Clause 6th states: Business owners shall not conduct any of the following confusing activities to mislead others with certain relationship between their products and others': (1) without authorization, using the identical or similar identifier with the product name, packaging, trade dress and so on, that owned by others and having certain influence. (2) without authorization, using the company name (including short form, trade name and so on), social organization name (including the short form and so on), and the person's name (the pseudonym, the stage name, the translated name and so on), that owned by others and having certain influence. (3) without authorization, using the main part of a domain name, the website's name, the webpage and so on, that owned by others. (4) Any other confusion activity that sufficiently misleading others on any connection or relationship as other's or with others. [2]

In addition, from the point of view of actual brand protection practice, we believe the change on Clause 18 about the legal measure to rectify the improper company name in the new law has repaired the awkward situation existing in *the Trademark Law* and in the old law. As mentioned, *Chapter 4, Clause 21 (see [1] above)* stipulated that for any dispute arising from using other's company name without prior authorization, one should refer to the relevant terms in *the Trademark Law*. While according to the Clause 58 of *the Trademark Law* it stipulates, "*using other's registered trademark, unregistered well-known trademark as one's trade name in the company name, to mislead the public and constitute the unfair competition, it shall refer to the relevant terms in the Anti-Unfair Competition Law.*" Apart from these two laws, we could further turn to *the Regulation of Company's Name Registration Management (firstly implemented in 1991 and amended in 2012)*. Although there are many relevant clauses, *Clause 5, Clause 9 and Clause 27* in particular define the improper usage of other's company name and endow the relevant authorities to have authorization to rectify such improper usage, there seems to be no clear procedure definition on how to implement them.

From our real case practices involving company name disputes in China, such as in Fujian Province, Henan Province, and Guangdong Province, we found that it does not matter if it is through administrative proceeding or judicial proceeding. What we could do was only to negotiate and push the counterpart to "proactively" change the improper company name through the authorities, and then wait. Even though the counterpart's activity, by using other's prior registered trademark as their trade name, has been deemed as a kind of improper usage. This situation is different from the legal proceeding in Hong Kong, which has the High Court of the Hong Kong Special Administrative Region entitled to judge any "passing off" defendants and takes all necessary steps to stop the "passing off" activity. This includes but is not limited to a change of such name to another mark that does not include any term confusingly similar to other's prior trademark rights. The Hong Kong Companies Registry and the Business Registration Office of the Inland Revenue Department of Hong Kong will then follow the court's order and give a number of options to replace the name if the defendant provides no name.

Company name and trade name are different from trademark, but when such is applied on the packages and labels of the product and in commercial promotion activities, it could be used in order to show the origin of such product. Thus, when any third party utilizes a company name or trade name confusingly similar with other's prior trademark, that have a certain good faith and influence, without authorization, that would be regarded as improper usage and should be changed.

> *"When any third party utilizes a company name or trade name confusingly similar with other's prior trademark, that have a certain good faith and influence."*

Chapter 4th, Clause 18th (2): in the event that the business owner's registered company name violated the term stipulated in Clause 6th of the said Law, they shall apply for company name change process with a timely manner, and before such application, the company registry office shall use the unified social credibility code as the company name. [3]

Another big development, which reflects how the new Law has thoroughly absorbed the new developments of *the Trademark Law (2014)*, is the statutory damage range for violating the Clause 6th and Clause 9th of the new law. In the old law, it stated in Clause 21st that "*any business owners could raise civil proceeding against the unfair competitor to the court and claim for compensation covering their damage caused by the unfair competition or the profit made by the unfair competitor through such improper activity*", but there is no statutory damage mentioned. The corresponding section in the new law, as [4] below, has instead given severe punishment against any unfair competitor.

Chapter 4th, Clause 17th (4): in the event that any business owner violates the term stipulated in Clause 6th and Clause 9th of the said Law, and it is difficult to calculate the actual loss caused by the infringement to the brand owner, or the profit made by the infringement to the unfair competitor, the people's court shall make the judgement up to RMB 3,000,000.00 statutory compensation according to the details of actual infringement. [4]

There were several additional changes in the new Law, and the amendments of *the Anti-Unfair Competition Law* in China were a demand born from the new developments in the market and in the society in China, which have been noticed around the world. *The Trademark Law* could be regarded as a special law, while *the Anti-Unfair Competition Law* would be considered just like the common law, applied for any specific issue that could not be solved through *the Trademark Law*; such understanding should be the norm from now on. If *the Constitution Law* were the spirit of a country, *the Anti-unfair Competition Law* would be the sword to maintain a fair, transparent, free competition market order and public interest.