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# CHAPTER 1

## Legislative Update

# About Use, Bad Faith and Well- known Trademarks in the Context of the Fifth Amendment to the Trademark Law

*Authored by Hui Huang  
and Paul Ranjard*

On January 13, 2023, the China National Intellectual Property Administration (CNIPA) published on its official website the draft fifth amendment to the Trademark Law (with a call for public comments) and some explanatory notes.

In these notes, CNIPA highlighted the main current problems, such as "trademark registration without use" which is relatively common, the malicious registration of trademarks, which still exists, the protection of trademark rights, which is still difficult, the improper exercise and abuse of rights, which occurs from time to time, and the problem of profit making through litigation, or even malicious litigation, which is becoming more and more widespread.

The CNIPA analyzed that the reason for these problems is that the trademark law has not met the needs of the market development: the system "emphasizes registration, but not use", the scope and strength of the fight against malicious trademark registration are still weak, and

the protection of well-known trademarks is not strong enough.

The CNIPA has a very good knowledge of the problems and of their causes. This article discusses three important points of the proposed law amendment, namely the obligation to use registered trademarks, the prohibition of bad faith registration and use, and the protection of well-known trademarks.

## I. Obligation to use registered trademarks

In China, the exclusive right to use a trademark is based on registration, not on use. However, the obligation to use the trademarks, once registered, has been strengthened by successive amendments to the Trademark Law.

The draft amendment adds an obligation to use the mark or undertake to use it at the application stage (Article 5), and establishes a system whereby the registrant must submit, every five years after registration, explanations of its trademark use. In case of failure to explain the use without justification, the trademark is deemed to have been abandoned, and if, through random checks, it is found that the explanations are false the trademark is revoked (Article 61).

The analysis below focuses on these two proposed changes.

This new system is obviously inspired by the US trademark system. The

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US Trademark Act of 1988 allows for the filing of a trademark application based on intent to use, while allowing a grace period of up to 36 months to honor that commitment.

Concerning the requirement to submit a statement of use every five years (which also appears to be modeled on U.S. trademark law), as we do not know what would be the specific requirements, such as the level of detail of the statement, how it will differ from the current evidentiary requirements in revocation proceedings, and whether interested parties can read the file or request a random inspection from the competent authorities, it is not yet possible to assess the extent of the resulting burden for trademark owners, but it is conceivable that those who do not use their trademarks will inevitably be under greater pressure, and those who used them will bear an additional burden of proof.

If we turn our attention to the European trademark legislation, we find a different answer to the same question. The EU Trademark Regulation and Directive provide that when an opposition or an invalidation action is filed by the holder of an earlier trademark, that has been registered for more than five years, the defendant party may request that the holder of the cited earlier trademark produces evidence of use during the five years preceding the date of application of the later trademark, and that, in case of failure to do so, the opposition or the application for invalidation shall be rejected.

Therefore, we could borrow the above practices from Europe and the

United States by requiring, on one hand, that the trademark applicant undertakes to use the trademark, in order to remind him of his obligation and, on the other hand, that where the holder of a trademark that has been registered for more than three years files an opposition or an invalidation action against a subsequent trademark, the applicant or owner of such subsequent trademark may request that evidence of use of the cited trademark be produced. It could even be added in such a system that, when a new trademark application is refused *ex officio* by the Examiner, on account of a cited prior trademark, the applicant shall have the right to request in the appeal procedure that evidence of use of the cited trademark be produced. This should considerably simplify and facilitate the registration of next trademarks. Needless to say that all owners should be relieved of the obligation to file a declaration of use every five years.

The issue of defensive marks will be addressed later in the context of well-known marks.

## **II. Prohibition of registration and use of trademarks in bad faith**

The basic principle of China's Trademark Law is that registered trademarks are protected by law provided that the basic principle of honesty and good faith is respected.

The draft amendment explicitly includes bad faith as an independent

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ground for the refusal of a trademark application. Article 22 provides that applicants shall not apply for trademark registration in bad faith and enumerates examples of bad faith (a) disrupting the order of trademark registration by applying for large numbers of trademarks without intention to use; (b) applying for the registration of a trademark by deceptive or other improper means; (c) applying for the registration of a trademarks which is detrimental to national interests, social and public interests or brings other serious and bad influences ; (d) violating the provisions of Articles 18 (well-known marks), 19 (agent) and 23 (infringement of prior rights) of this Law, intentionally infringing the rights or legitimate interests of others or seeking undue advantages; (e) filing other malicious applications for trademark registration.

The provisions of this new article need to be analyzed one by one: **First**, the inclusion of bad faith as a separate condition for refusal, throughout the examination, opposition and invalidation procedures is undoubtedly a major step forward, as well as a response to international treaties to which China is a party, such as the RCEP. **Second**, the current provision "filing for the registration of a trademark in bad faith without intention to use" is much more specific with the adjunction of "a large number of applications without intent to use" which becomes directly equivalent to bad faith. **Third**, since the violations of Articles 18, 19 and 32 are already grounds for invalidation, it would be advisable to expressly include these cases as exceptions to the five-year limit for filing an invalidation action. **Fourth**, unlike the above provisions, this general clause which includes all "other bad faith applications", is not mentioned as a ground for

invalidation in Article 44, which is regrettable. We believe that bad faith should always constitute a ground for invalidation. A inspiration could be found in the judgment rendered by the European Court of Justice on in the *Sky* case [C-371/18], such bad faith may be established if there is objective, relevant and consistent indicia tending to show that, when the application for a trade mark was filed, the trade mark applicant had the intention either of undermining, in a manner inconsistent with honest practices, the interests of third parties, or of obtaining, without even targeting a specific third party, an exclusive right for purposes other than those falling within the functions of a trade mark.

In addition, the draft amendment specifies the amount of fines applicable to bad faith trademark registration (Article 67), and where bad faith trademark applications harm the interests of the State or the public interest or cause significant adverse effects, prosecution will be initiated by prosecution authorities; it is also provided that if bad faith trademark applications cause harm, it is possible to claim compensation via a civil litigation (Article 83) [in that regards, it has been suggested that such compensation, or at least a proper reimbursement of legal fees, should be awarded at the end of a successful administrative litigation, without having to resort to a new civil litigation] The draft introduces a system of counterclaim in case of bad faith civil litigation (Article 84). These provisions, which introduce into the law existing judicial interpretations and practices, aim to make bad faith applications economically unprofitable, which will certainly have a considerable deterrent effect on potential malicious applicants.

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Finally, it is worth mentioning that the draft amendment also specifies that when a trademark is invalidated, the owner of that trademark is liable to compensate the damage caused by the infringement acts committed after registration and before invalidation (Article 48), but unfortunately, such liability is not automatic: it only applies if the infringer acted in bad faith. Such a condition of bad faith is controversial. Indeed, at present, under Article 47(2), the invalidation has a retroactive effect and the trademark is deemed having been non-existent from the beginning. However, if the trademark had been enforced against an infringer, or had been the object of a contract and if the judgment or the contract have been executed, the money involved should not be reimbursed ... except in case of bad faith. Adding the condition of bad faith as a condition for an infringer to be liable, raises serious questions, and makes it more difficult to have damages.

### III. Protection of well-known trademarks

The draft amendment (Article 18) adds a new third paragraph about the concept of dilution and free riding on the reputation of the well-known trademark, which reproduces the definition already provided by the Supreme People's Court in its Interpretation of 2009. However, the draft maintains unchanged the precedent paragraph which refers to "misleading the public and harming the interests of the right holders". Since that expression "mislead etc." had already been explained by the Supreme Court, it seems preferable to simply delete it and no need to explain anymore.

A question remains regarding unregistered well-known trademark. In the current law and in the draft, the remedy is only an injunction prohibiting to register and use a confusing trademark. Nothing about the possibility to obtain damages, which would imply that the acts are considered as infringing acts. In a famous case, concerning the Xinhua dictionary (新华字典), Beijing IP Court ruled in favor of the plaintiff pursuant to the Tort Liability Law. Such a solution could also be clarified in the Trademark Law.

It is also worth noting that the special protection of well-known trademark applies not only when the conflicting trademark is used on non-similar goods but also when it is used on identical or similar goods.

However, Article 18(3) considers that a well-known mark must be well-known among the "general public," which seems too demanding and not conducive to the protection of well-known marks, and is not in line with definition of well-known marks in the Article 10(1) of the draft, which refers only to the relevant public. The concept of "relevant public" is more flexible, and it may be noted that the European Court of Justice in the *Intel* case [C-252/07] pointed out that the issue can be resolved depending on the circumstances: in diluting and tarnishing cases, the mark only needs to be well-known in the relevant public of the plaintiff, whereas "free riding" requires proof of reputation in the relevant public of defendant.

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Finally, what about "defensive marks" ? They serve a purpose of providing the protection attached to registration, even though, they are registered in relation to goods or services for which the owner had no activity. A number of countries used to have a system of defensive marks, but fewer and fewer countries still do. It is generally only applicable to a small number of types of marks, or is generally limited to well-known marks. In fact, what the owner wants is to obtain a larger scope of protection than what the registration of his trademark, in his field of activity, provides. Such a wider protection should, normally, be provided by the system of well-known trademark, as Article 10(2) of the draft stipulates, the scope and strength of protection shall be in proportional to the distinctiveness and reputation of well-known marks. So, the question about defensive trademark only arises when it is particularly difficult to obtain the recognition of the well-known status: trademark defense and a well-known trademark can be viewed as two sides of the same coin.

Therefore, if we insist that only used marks can be protected, the problem that defensive marks are supposed to solve should and can be solved by lowering the threshold of protection for well-known marks. In other words, the more well-known marks can play a role in combating dilution and free riding, the less need there is for the defensive mark system, and the better the balance between registration and use of marks can be maintained, thereby smoothing out the relationship between the two and achieving the ideal state of "those who are registered are used, and those who are used are registered."

# Takeaways of the draft amendment to China's Trademark Law

*Authored by Wanhuida  
Editorial Board*

On January 13, 2023, China National Intellectual Property Administration (CNIPA) released the Draft Amendment to the Trademark Law (the Draft) to solicit public comments. The Draft makes an array of structural adjustments to the law, adding 2 more chapters and 28 more articles. The Draft seeks to streamline China's trademark registration and enforcement regime by clarifying what practices are acceptable and discouraging abuse of trademark rights.

The Draft has received a large number of comments. Many comments agreed with the proposed measures that aim to discourage bad faith filing of trademarks and strengthen the protection of trademarks. However other measures, in particular those concerning the obligation to use met with a rather unanimous disagreement. The CNIPA is said to have acknowledged the comments and has announced a new draft.

## Curbing Malicious Registrations & Litigation

The Draft ramps up efforts on fighting against malicious trademark applications by explicitly listing the act of “filing applications for trademark registration on a large scale without the purpose of use insofar as it disrupts the trademark registration order” as a circumstance of “bad faith” (Article 22). On top of rejection/cancellation of the trademark applications/registrations, the bad-faith applicants will also be subject to fines or financial compensation (Articles 67 & 83). Since trademark abuse often intertwines with malicious registration, the Draft also adds a paragraph prohibiting abuse of trademarks rights (Article 9) and allows the victim to obtain compensation in case of abusive lawsuit (Article 84). The Draft also attempts to specify in what circumstance an infringing trademark which is later invalidated shall be held liable, but the requirement to prove “bad faith” may pose a hurdle when the plaintiff claims damages for the period preceding the invalidation (Article 48).

- Article 9: the principle of good faith (current Article 7) is emphasized by a new paragraph stipulating that trademarks rights should not be abused.
- Article 22: combines the current Article 4 (filing trademarks in bad faith without intention to use) and Article 44.1 (cancellation of trademark registered by unfair means).
- Article 67: Bad faith trademark application may be sanctioned by fines (up to RMB 250,000) and even the confiscation of the illegal income.

- Article 83: provides for the possibility to obtain financial compensation against a bad faith trademark applicant by filing a civil lawsuit (this implementing solution already found in existing case law).
- Article 84: provides for the same possibility to obtain compensation in case of abusive lawsuit.
- Article 48: if, between the registration of a trademark and its (later) invalidation, a trademark has been used and has infringed the trademark rights of another person, compensation for the prejudice caused by such use shall only be due if bad faith is proven.

## Trademark Use Underlined

Trademark could only function as a source identifier if it is being used. A trademark owner is encouraged and obliged to use its registered trademark. The Draft mandates that a “promise to use” may be required at the stage of filing application (Article 5) and a “declaration of use” should be filed every five years after registration (Article 61).

- Article 5: when applying to register a trademark, if the mark is not being used, the applicant should make a promise to use.
- Article 61: after a trademark is registered, a declaration of use must be filed every five years, and the administration may conduct random verifications.

## Procedure Streamlined

According to the Draft, unless otherwise specified, an applicant can only register one identical trademark in respect of identical goods or services and repetitive registration is prohibited (Article 21). The provision aims to dissuade malicious registration and alleviate the tremendous burden on the examiners. The Draft changes the opposition procedure (Article 39) and specifies the suspension of administrative procedure when the registration of a new trademark hinges on the very existence of prior rights (Article 42).

- Article 21: regulates strictly the circumstances under which a trademark that has been revoked, cancelled or invalidated may be refiled.
- Article 39: modifies the opposition system and provides that where the registration of a trademark is refused as a result of an opposition, the registrant may no longer file an application for review and must directly file a lawsuit with the Beijing IP Court.
- Article 42: maintains, as an option, the suspension of the administrative procedure when the registration of a new trademark depends on the determination of prior rights. In addition, this article provides that when the administrative decision is reviewed by a court, the court shall decide on the basis of the situation that existed at the time when the administrative decision was made, even if the situation has changed (for example, the prior right does no longer exist).

## Protection Scope Further Specified

The Draft slightly tweaks the language pertaining to the non-exhaustive list of registrable signs in current Article 8, replacing “etc.” with “other elements” (Article 4). It also extends protection “prior interests”, apart from “prior rights” (Article 23). Moreover, the Draft makes clarification on the scenarios where a trademark holder cannot prohibit or restrict a third party from using their trademarks (Article 62).

- Article 4: defines what sort of sign may be registered as trademarks is slightly modified: where the list ended with “etc...,” to indicate that other elements could be registered, the Draft specifies replaces this “etc...,” by the words “other elements”. Apparently, the meaning remains the same.
- Article 23: modifies the current Article 32 by incorporating elements of the Anti-Unfair Competition Law (AUCL). Not only “prior rights” but also prior “interests” should not be infringed (i.e., the name, shape of a product, the business name, the website name... that are protected under article 6 of the AUCL).
- Article 62: add definition of “fair use” (when a mark is used in connection to a legal activity such as selling spare parts). This need to be further defined, though.

## Protection Strengthened

Some proposed amendments in the Draft are in favor of the trademark holders: the infringing goods held by the “innocent seller” shall be

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confiscated (Article 74); the administrative enforcement authority will have more power to investigate infringement cases (Article 75); the parties may request the administrative enforcement authority to affirm that the use of a trademark constitutes infringement (Article 74). Furthermore, there is less restraint for the plaintiff to claim damages (Article 77).

- Article 74: fills a “loophole” in current Article 60 and specifies that the infringing goods held by the “innocent seller” shall be confiscated (whereas Article 60 merely provides that they may not be sold). This article also creates the possibility to ask the administrative enforcement authority to issue a ruling, between the trademark holder and the alleged infringer, stating that the use of a trademark is an act of infringement.
- Article 75: the administrative enforcement authorities’ power of investigation is widened and apply not only to cases of trademark infringement but also on all “law breaking” situation (such as passing off an unregistered trademark for a registered trademark). Besides, the administrative enforcement authorities is given more investigation powers (enquiring into bank accounts).
- Article 77: the method of calculation of the damages is adjusted and trademark holder no longer needs to follow the sequence of first the losses, then the illegal profits: the plaintiff is free to choose. Besides, as regards the punitive damages, the

condition of “malicious” infringement is replaced by “intentional” infringement to align with the SPC’s recommendations.

## Well-Known Trademarks

There is good news for the well-known trademarks. In order to obtain cross-category protection, a trademark does not need to be registered (Article 18). Under certain circumstances, the right holder of an unregistered well-known trademark is entitled to require the litigious trademark be transferred to its own name (Article 45).

- Article 18: the cross-category protection of well-known trademarks is extended from registered trademarks (in China) to unregistered trademarks.
- Article 45: when a trademark shall be refused or invalidated because it has been “preemptively” filed in violation of the rights of a well-known trademark, or of the legitimate user of an unregistered mark with a certain influence, or by the agent without authorization, the claimant may require that the litigious trademark be transferred to its own name.

## A New Chapter on Brand Building

The Draft, for the first time, adds a dedicated chapter (Chapter 9) on brand building. By codifying brand building, it underlines the significance brands play in the success of a business. The Draft makes

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clear that brand building will fall within the remit of the governments (Article 92).

- Article 92: The people's governments at or above the county level should incorporate trademark and branding work into relevant plans for national economic and social development. They should also formulate scientifically reasonable policies and measures, actively guide the cultivation, protection, and utilization of trademarks and brands, and provide necessary guarantees.

## Conclusion

The CNIPA will scrutinize the feedbacks and comments from the public and submit an updated version to the National People's Congress (NPC), China's legislature for further deliberation. It remains to be seen to what extent will the CNIPA modify the Draft.

# CNIPA's Criteria for Determination of General Trademark Violations: key points, concerns and missed opportunities

*Authored by Zhigang Zhu and Paul Ranjard, first published by WTR*

On 13 December 2021 the China National Intellectual Property Administration (CNIPA) released the *“Criteria for Determination of General Trademark Violations”*. These criteria, listed in 35 articles, define in detail the various types of trademark offences, with the exception of trademark infringement (which has been treated separately).

The following points deserve attention:

- According to Article 6 of the Trademark Law, it is compulsory for certain goods to be marketed with a registered trademark. This is particularly the case for cigarettes (as provided in Article 19 of the Tobacco Monopoly Law). The CNIPA clarified, in Article 4 of the criteria, that this obligation applies to imported cigarettes as well. It is

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therefore prohibited to sell imported cigarettes if the concerned trademark is not registered in China.

- Article 10 of the Trademark Law enumerates the types of signs that are subject to absolute grounds of refusal and may neither be registered, nor used, as trademarks. According to Article 15 of the criteria, if such a sign is refused but still used, the Administration for Market Regulation (AMR) should apply the sanctions provided by the law. Further, according to Article 16 of the criteria, even if the sign has been approved and is registered as a trademark, the AMR which finds that there might be a possibility that such sign violates Article 10 of the Trademark Law should report the case to the CNIPA for disposal.

The implementation of Article 15 is a cause for possible concern. The refusal of a trademark application by the CNIPA is often subject to judicial review, which the AMR does not know as such information is not public. Enforcing this provision while the refusal decision is not final would be problematic, in particular considering that there is hardly any consensus between the CNIPA and the courts on the interpretation of Article 10.

Regarding Article 16, the situation where a local AMR would report to the CNIPA (ex-Trademark Office) that a registered trademark could be invalidated *ex officio* seems a little unrealistic in practice.

- Article 49 of the Trademark Law provides that a trademark should not be unilaterally altered. If this happens, the trademark holder shall be ordered to make corrections within a prescribed time. Article 18 of the criteria provides details about what may constitute such an alteration:

The trademark registrant makes a partial alteration or changes the relative position of the constituent elements of the registered trademark, such as characters, devices, letters, numbers, three-dimensional signs, colour combination and sound etc, which affects the recognition and identification of the registered trademark, but still indicates to be a registered trademark or attaches the registration symbol to it.

It is the very concept of 'unilateral alteration' which is, in itself, arguable. Indeed, either the alterations do not "affect the identification" of the registered trademark, in which case they are not subject to Article 49, or they do affect the identification of the trademark and such alteration creates a new and distinct unregistered trademark. Of course, this unregistered trademark should not be passed off as a registered one. Then, it is Article 52 (mentioned below) which should apply, not Article 49.

Yet, there are cases where trademark registrants, out of extremely sophisticated bad faith, apply alterations to their registered trademarks, sometimes in a very subtle way, to the effect of becoming an infringement of a prior registered trademark. It

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is believed that, in such a case, the owner of the infringed prior trademark should have the right to apply for the invalidation of the original "transformed" trademark. Unfortunately, the CNIPA did not seize the opportunity to address this issue.

- Article 52 of the Trademark Law provides that the AMR shall apply sanctions on persons who pass off their unregistered trademarks as a registered, and Articles 22 and 23 of the criteria enumerate the various circumstances of such acts of passing off. Further, Article 23.2 specifies that, in case there exists concurrent acts of passing off and trademark infringement, the AMR shall investigate and deal with the case of trademark infringement only.

It can be understood that the CNIPA wants to ensure that the AMR shall deal with the most serious, but more complex, offence and shall not be satisfied with applying a simple penalty related to passing off. However, another situation could occur, where the infringement is found to be really complex (cross-class infringement or arguable similarity) and the AMR decides to drop the infringement case. It is not clear, then, whether the AMR could still revert to applying the sanctions provided for passing off.

There might be another problem concerning passing off should such concept be strictly applied. Indeed, according to Article

56 of the Trademark Law, the trademark right is “limited to the approved sign and goods”, and thus, where a registered trademark is used on other goods, and pretends to be registered, such use should be considered as an act of passing off. However, it happens that some trademarks - in general, foreign trademark applied through the international procedure - are applied for goods or services that do not have a standard translation in the Classification of Similar Goods and Services, and therefore are registered by the CNIPA by reference to the closest goods or services eligible for registration at the time. Unfortunately, the CNIPA does not make any exceptions for such cases.

# CNIPA releases draft Measures on Collective and Certification Marks to seek public opinions

*Authored by  
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by WTR*

On June 7, 2022, the China National Intellectual Property Administration (CNIPA) issues a notice seeking comments on the *"Draft Measures for the Administration and Protection of Collective and Certification Marks"* (Draft Measures) until July 21, 2022.

## Background

The existing Measures for the Registration and Administration of Collective and Certification Marks (2003 Measures) were promulgated on April 17, 2003, and came into force later on June 1 of the same year. The 2003 Measures, as a vital supplement to the Trademark Law and the Implementing Rules of the Trademark Law, provide in detail the application procedures and paperwork requirements for the registration and protection of collective and certification trademarks. Practitioners have been long anticipating the updating and revision of the Measures ever since the third and fourth amendment of the Trademark

Law in 2013 and 2019. On top of that, a few hot-button cases involving collective/certification trademarks with place name component have necessitated the promulgation of administrative guidelines with regard to protection of collective and certification trademarks and clarification of the boundary of fair use.

## Key points

The Draft Measures consist of 35 articles and the main takeaways are as follows.

### 1. Shift of focus

The name of the Draft Measures indicates a shift of legislative focus from "Registration & Administration" to "Administration & Protection".

### 2. Filing Requirements

Articles 2 to 9 of the Draft Measures set out general principles on the applications for registration of collective or certification marks. Article 2 also further clarifies the eligibility requirements of the applicants filing for these trademarks. Article 6 aligns the registrable elements of geographical indication collective and certification trademarks with the current Trademark Law.

### 3. Administration of Registrants, Collective Members and Users

Articles 10 to 18 relate to the administration of the registrants of collective and certification marks, as well as the collective members and users. Article 10 puts forward specific requirements on the trademark management responsibilities of the registrant. Article 11 allows registrants to charge reasonable fees from the collective members and users. Article 12 mandates that where there is any change to the members of the collective marks or where the certification trademarks are licensed to others, the registrants need to file an application for modification or put on record the licensing within three months upon the entry-into-force of the licensing contract with the CNIPA. Articles 14 and 15 introduce the circumstances under which the registrant shall be obliged to issue a certificate of use and enumerate scenarios where a collective/certification mark should not be used. Article 16 provides that the registrants, collective members and users of collective and certification marks are obliged to ensure the goods to which the said marks are attached are in compliance with the prescribed quality requirements, and the collective and certification marks may be used along with their own registered trademarks. Articles 17 and 18 lay out the obligations of registrants, collective members and users.

## 4. Fair Use of Geographical Names

Article 21 to Article 24 address the fair use of geographical names in collective and certification trademarks. In principle, using the geographical name component in the manner of describing a fact, such as “to indicate the source of geographic origin in a store signage”, “to indicate the place of origin of the products or raw materials thereof in the list of ingredients or on the packaging”, or “using such component in the trade name of a business” are to be deemed as fair use (Article 21). Article 22 also bans the monopoly of the geographical name or name of goods incorporated in a collective or certification trademark in catering business by allowing individuals or organisations other than the registrant of such trademarks to use these components by way of describing a fact in local snacks, cuisine, menu or window display. Article 23 allows the fair use of the geographical name or name of goods incorporated in a collective and certification trademark by any natural person, legal person or other organisations whose goods conform with the requirements of geographical indications.

## 5. Administrative protection and penalty measures

Articles 25 to 33 improve the administrative protection measures for collective and certification trademarks and the relevant administrative punishment measures for misusing such marks. In case of trademark infringement, registrants, collective members and users may resort to administrative enforcement actions. The Draft Measures also clarify the

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remit of competent authorities and the circumstances to be deemed as infringement in the sense of Article 57 of the Trademark Law, introduces a similar “innocent distributor” clause and elucidates administrative consequences and liabilities to be borne by registrants if they fail to perform their administration and supervision obligations.

## Comment

The Draft Measures seem to impose on the registrants, collective members and users of collective and certification trademark high obligatory requirements. It remains to be seen whether the CNIPA will relax some of its regulatory stance and leave more wiggle room for the registrants, collective members and users in the final text.

# Draft revision to Anti-unfair Competition Law - key points highlighted

*Authored by Wei He,  
Zhigang Zhu and Paul Ranjard,  
first published by WTR*

## Introduction

On 22 November 2022 the State Administration for Market Regulation (SAMR) published the revised draft of the Anti-unfair Competition Law of the People's Republic of China, with a call for comments.

A significant number of articles of the draft relate to the emergence of new forms of unfair practices in the digital economy. This concern is summarised by the new Article 4, which provides that "business operators shall not take advantage of data, algorithms, technologies, capital advantage, platform rules, etc, to carry out unfair competition practices". Most of the new articles introduced by the draft describe and address various ways of misusing the technologies that are now available in the digital economy.

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However, other noteworthy modifications of the law aim at strengthening the administrative and judicial supervision of “traditional” unfair behaviours. Some of these new provisions are presented below, according to the relevant articles of the draft.

### **Principle of fairness - Articles 2 and 37**

Article 2 of the Anti-unfair Competition Law provides for the general principle of fairness. This article has been progressively recognised by the People's courts as a powerful tool to deal with various kinds of unfair practices (that are not specifically described in other parts of the law). For example, it has been possible to deal with abusive trademark squatting by making use of Article 2 of the law. The draft emphasises the importance of the general principle of fairness by introducing the concept of 'contributory act' and extending liability to those who provide assistance.

Until now, all litigation based on Article 2 was to be initiated before the People's courts. Article 37 of the draft provides that the Administration for Market Regulation (AMR) shall have the power to investigate acts committed in violation of Article 2 and, therefore, to order cessation of the unfair acts and impose sanctions (confiscation of illegal income and fines up to RMB 5 million in serious cases).

### **Confusion - Articles 7 and 28**

A few welcome modifications are introduced in Article 7 of the

draft (which corresponds to the current Article 6 of the Anti-unfair Competition Law):

- Article 7(1) specifies that the infringing item may be not only a mark, but also a packaging or decoration;
- Article 7(2) adds the word 'similar' to the (unauthorised) use of a name or trade name, among other things;
- Article 7(3) adds a few more types of web-related identifications (eg, self-media and icon of application software);
- Article 7(4) - which is new - introduces the concept of using the sign (with a certain influence) of another person as a search keyword in order to mislead the public.
- Finally, a last paragraph has been added which provides for a prohibition against selling products made in violation of Article 7(1), and also against the act of providing convenience (eg, warehousing, transporting, mailing, printing and concealing) to the infringers.

Article 28 of the draft provides for the sanctions. In the current law, administrative sanctions are limited to ordering the cessation of the acts, confiscating the illegal products and imposing a fine (up to five times the illegal turnover, or from RMB 50,000 to 250,000 in case there is no turnover). The new Article 28 adds that the AMR may also confiscate the illegal income and the manufacturing tools (without specifying whether they are exclusively used to manufacture the illegal products). Further, the seller of such products, if it knew of or should have known that they

are infringing, is subject to the same sanctions. However, a seller who can prove that it did not know this, and provides information concerning the supplier, is exonerated of any liability (apart from the order not to sell the products).

### False advertising - Articles 9 and 30

Article 9 of the draft, which concerns the various acts of misleading promotion, adds a new paragraph in order to make a distinction between promotion and advertising, and specifies that advertising is not covered by this law. However, the distinction is not very clear. It seems that the term 'promotion' would include all activities that aim to direct the attention of the public to the qualities or reputation of the product, whereas 'advertising' merely consists of displaying, explaining, describing the products and activities on the business premises and in exhibitions (the relevance of this explanation is not guaranteed).

An example based on practice might help: an infringer is spotted on the Internet, identified, located and sued in court, with a compensation claim calculated on the basis of the infringer's own allegations concerning the number of its sales (as advertised on its website). The defendant argues that these sales numbers are displayed on the website only to attract consumers, but are not real sales and should not be taken into account for calculating the illegal profits and damages. Such a defence establishes the violation of Article 8 of the Anti-unfair Competition Law (Article 9 of the draft) and triggers the sanctions provided in Article 20 of the law (essentially fines).

Article 30 of the draft, which corresponds to Article 20 of the Anti-unfair Competition Law, adds that, in addition to the fines, the AMR may also confiscate the illegal income. Further, the draft provides that any person who knowingly provides assistance to the operator may also be sanctioned.

## Traffic hijacking - Articles 15, 16, 36 and 38

The expression 'traffic hijacking' should be construed as encompassing all the ways in which a business operator may influence, in an unfair manner, the choice of consumers when they navigate the Internet, thus disrupting the fair competition order.

Article 15 of the draft provides some examples: "use of data, algorithms, technologies and platform rules". Article 16(2) of the draft is more specific: "embedding links to their own products or services by means of keyword association, setting false operation options, etc, so as to cheat or mislead users to click".

These unfair practices are sanctioned by Article 36 of the draft, which increases the penalties provided in Article 24 of the Anti-unfair Competition Law: for "ordinary cases", the maximum fine (currently RMB 500,000) is raised to RMB 1 million and, for serious cases, the maximum fine (currently RMB 3 million) is raised to RMB 5 million.

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In addition, Article 38 of the draft creates a new category of “extremely serious” cases of an “extremely malicious” nature where a fine, equal to between 1% and 5% of the sales of the previous year, can be imposed. Further, the operator may be ordered to cease business and the legal representatives may also be held liable, with fines ranging from RMB 100,000 to RMB 1 million.

## Civil liability - Article 28

Article 17 of the Anti-unfair Competition Law, replaced by Article 28 of the draft, has been significantly modified.

The method of calculation of the prejudice is unchanged: firstly, the amount is determined in consideration of the actual losses suffered by the victim of the unfair competition acts; secondly, if such losses are difficult to ascertain, the amount may be determined by reference to the profits obtained by the infringer. Further, Article 17 of the Anti-unfair Competition Law provides that, for serious trade secrets infringement cases, the amount of compensation calculated according to one of the above methods may be multiplied up to five times (which is the equivalent of the “punitive damages” provided in other IP laws). Finally, when it is difficult to estimate the amount of the prejudice in confusion cases (current Article 6) and in trade secrets cases (current article 9), Article 17 of the Anti-unfair Competition Law provides that the court may award “statutory damages” with a maximum of RMB 5 million.

The new Article 28 of the draft extends the concept of punitive damages from serious trade secret infringement cases to all “serious violations of this law”, and provides that statutory damages can be applied in all cases, and not only in confusion and trade secrets cases.

## Comment

These changes introduced in the Anti-unfair Competition Law by the draft are welcome. They show the efforts of the SAMR to keep up with the fast evolution of the technologies used in the digital economy. Unfair competition behaviours are becoming increasingly sophisticated, and knowing that the administration and the People's courts are keeping up-to-date with this evolution is heartening.

# Supreme People's Court Issues New Interpretation of the Anti-Unfair Competition Law

*Authored by  
Hui Huang and Paul Ranjard,  
first published by IAM*

On 29 January 2022, the Supreme People's Court (SPC) adopted a judicial interpretation of the Anti-Unfair Competition Law, which was published on 17 March and became effective on 20 March. This interpretation supersedes that of 2007 and shall apply to all pending cases. However, if a case has been adjudicated before that date but continues with the retrial procedure, the 2007 interpretation will apply.

## The catch-all Article 2

The interpretation confirms the rising importance of the Anti-Unfair Competition Law as a legal ground for civil litigation and, in particular, Article 2. This establishes the general principle of fairness: *"A business operator shall, during the production and operation, follow the principles of voluntariness, equality, fairness and good faith and observe the laws and business ethics."*

The article goes on to define 'unfair competition' as an act that "disturbs market competition order and damages the lawful rights and interests of other business operators or consumers".

Having established this principle, in Chapter 2 the law describes various types of acts of unfair competition, including the following:

- creating confusion with another operator (Article 6);
- false advertising (Article 8);
- theft of trade secrets (Article 9); and
- defamation (Article 11).

Until recently, the courts had interpreted this law very strictly, in particular Article 6.1, which provides that "a business operator shall not use a sign that is identical with or similar to the name, packaging or decoration etc. of other person's products which has a certain influence". The emphasis was, therefore, on the likelihood of confusion; hence the need to prove the existence of a certain influence or reputation. No evidence of reputation, no case.

Article 2, however, places emphasis on the unfair behaviour of the operator, which requires a completely different type of evidence.

The courts were reluctant to accept cases based only on a defendant's behaviour, with no specific reference to any of the acts described in Chapter 2.

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This situation evolved favourably, thanks to trademark squatters. Several cases in this area gave the courts an opportunity to take a stand against unfair practices.

In *Bayer* (2018), the trademark squatter, after failing to intimidate Bayer into buying his trademarks, complained about Bayer's online sellers and blatantly offered to withdraw these complaints if the sellers agreed to pay damages. Bayer reacted by filing a civil action against the squatter, seeking judgment of non-infringement and an order to cease unfair competition acts.

Then, more recently, in *Brita* (2021), Brita, after successfully concluding all the administrative cases caused by the trademark squatter, sued for damages on the grounds of unfair competition. The Shanghai court held that the squatter's malicious pre-emptive registration of trademarks and systematic challenging of Brita's registrations violated the principle of good faith and business ethics. The court affirmed that the trademark squatter's behaviour constituted acts of unfair competition and ordered the payment of RMB 2.8 million (\$437,500) in damages.

Finally, in *In-Sink-Erator* (2021), the Xiamen court went one step further, and considered that the behaviour of the defendant, who had registered many trademarks identical, or similar, to the plaintiff's trademarks alongside other famous marks, with no intention of using them, had breached the principle of good faith. The court issued an order prohibiting the defendant from filing such pre-emptive applications in the future.

All these cases were based on Article 2 of the Anti-Unfair Competition Law.

We can, therefore, appreciate the meaning of the new interpretation which, in Article 1, confirms the importance of the principle of fairness:

*Article 1. When the acts of an operator, disrupting the market competition order and damaging other operators' legitimate rights or the consumers' interests, are not specifically described in Chapter II of the AUCL, in the Patent Law, in the Trademark Law and in the Copyright Law, the People's Court may apply Article 2 of the AUCL.*

Business ethics have thus become the essential touchstone of Article 2. The SPC takes this opportunity to clarify in Article 3 of the interpretation that the code of conduct generally followed and recognised in a specific business field constitutes the business ethics as stipulated in Article 2. The SPC goes into detail about how courts should determine whether an operator violates business ethics.

It remains to be seen whether the courts will still be reluctant to accept cases based on Article 2 when the litigious acts are relevant to Chapter 2 but the conditions required (eg, proving the reputation of a commodity) are not sufficiently met. (Take, for example, the case of an operator who systematically copies the new models of a competitor, none of which yet have a reputation.) Another issue concerns cases where an unregistered

but well-known trademark can be protected against the use of the mark by another person on different goods, without confusion.

### **The commercial signs listed in Article 6 of the Anti-Unfair Competition Law and the Trademark Law**

These signs are the name, packaging and decoration of a product (Article 6.1), the enterprise name (Article 6.2) and the website name (Article 6.3), all of which need to enjoy a certain influence.

There is, therefore, a difference between the name, packaging or decoration of a product and the name of an enterprise or website. The 'sign' of Article 6.1 relates to the product, whereas that of Articles 6.2 and 6.3 pertains to the enterprise.

The SPC does not make any distinction between these different types of signs and considers that they are all the equivalent of an unregistered trademark, which is a narrow interpretation of the concept of sign in the context of the Anti-Unfair Competition Law. So, the SPC insists (Article 4) that the sign must have "distinctive features enabling the sign to distinguish the source of the goods", which is the definition of a trademark. The interpretation goes on, in Articles 5 and 6, to enumerate signs that cannot have a certain influence: the generic names of goods, the reference to their quality, the shape dictated by the nature of the goods or that serve to give them substantial value. All of these are

directly imported from the Trademark Law. In Article 7, the SPC insists that a sign (under Article 6 of the Anti-Unfair Competition Law) may not be protected if its registration as a trademark would be refused pursuant to Article 10 of the Trademark Law (absolute grounds).

This link between the Trademark Law and the Anti-Unfair Competition Law can be found again in Article 10 of the interpretation. The courts are requested, when determining whether a sign has been used in the sense of Article 6 of the Anti-Unfair Competition Law, to apply the exact same definition of the term used in Article 48 of the Trademark Law (ie, "use on goods, commodity packaging or containers and commodity transaction instruments, or advertising, exhibitions, and other commercial activities, in China, to identify the source of the goods"). This definition hardly corresponds to the enterprise name and the website name (Articles 6.2 and 6.3).

However, another concept imported from the Trademark Law is welcome. Article 14 of the interpretation provides that the Anti-Unfair Competition Law shall apply to the act of selling the goods bearing the infringing sign (pursuant to Article 6) and, as in Article 63.2 of the Trademark Law, the "innocent seller" who gives information concerning the supplier is exonerated from civil liability. Article 15 of the interpretation includes the acts of intentionally providing a storage, transportation, mailing and printing service, among others, in the confusing activities covered by the law. This is cited in Article 1169.1 of the Civil Code, which is also very similar to Article 57.6 of the Trademark Law.

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Regarding determination of the damages, Article 23 extends the principle of statutory damages (RMB 5 million) - already provided in Article 17.4 of the Anti-Unfair Competition Law for confusing acts and theft of trade secrets - to other circumstances, including the general principle of Article 2. However, no mention is made of the possibility of obtaining punitive damages.

In Article 24 of the interpretation, the SPC again addresses the relationship between the Anti-Unfair Competition Law and IP laws:

*If a People's court has found that a person has committed act(s) of copyright, patent or trademark infringement and has ordered such person to bear civil liability, the People's court shall not support another claim of unfair competition, against the same infringer, based on act(s) committed in the same geographical place and at the same time.*

Unfortunately, this article is quite vague. It is true that one act cannot violate both the Anti-Unfair Competition Law and another IP law at the same time. However, it is not rare for an infringer to commit a variety of acts, some of which qualify as IP rights infringement and others as unfair competition. The SPC gives no instructions as to how the courts should handle such situations. Therefore, it might still be found that, in such complex cases, a court will request the plaintiff to choose one legal ground and drop the other, instead of examining the entirety of the case in all its complexity.

# Amended Civil Procedure Law comes into effect

*Authored by Zhigang Zhu and Paul Ranjard, first published by IAM*

The Civil Procedure Law of China was amended on December 12, 2021 and the revised law became effective on January 1st, 2022.

The modifications, some of which are summarised below, aim to facilitate and accelerate the procedure.

## Online hearings

The new Article 16 provides that, if the litigants agree, a hearing may be organised online.

## Single judge

According to Article 40 (ex 39), a case may be adjudicated by a single judge in a simplified procedure or in a normal procedure where the facts are very clear.

## Service of documents

Article 90 (ex 87) provides that, the parties agree, the service of the court documents maybe made electronically

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(it is still possible however, to request a paper copy of the documents), and the official date of the service is the day when the document is entered in the server. Where the documents need to be served by way of publication in the press, which is necessary when the person to whom the documents are to be served cannot be found, Article 95 (ex 92) specifies that the documents are deemed to have been served 30 days after the publication (previously two months).

## Appeal

Article 165 (ex 162) provides that for small cases (where the claim is only monetary and is less than 50 % of the local average salary), the judgment is final and not subject to appeal (unless the case involves a foreign party) and must be issued within 2 months (instead of 6). Article 176 (ex 169) provides that the court of second instance who finds - after study and inquiry (which may include "court talk", equivalent to an informal hearing) - that the facts are clear, and no new facts, evidence or arguments are presented, may decide to adjudicate the case without a formal hearing.

## Mediation

Finally, according to article 201 (ex 194), if a case is settled via a mediation organisation, and the parties require that the settlement be endorsed by the court, this request must be made within 30 days of the settlement signature.

## Comment

The service of documents is a problem frequently encountered by litigants who sue an "elusive" defendant. The system of serving document via the press, even if it is slightly improved by the amendment (30 days instead of 2 months), remains a cause for delays and frustrations. It would be more efficient to provide that the address of registration of a person, individual or corporate, is the only address to be taken in consideration for the service of documents. A person who moves without changing the address is responsible for organising the mail to be forwarded to the new address, or if the registered address is fake, this should not constitute an obstacle to the normal operation of the procedure.

# China's SPC streamlines intellectual property jurisdictional rules

*Authored by Huimin Qin and Nan Jiang, first published by IAM*

The water has been murky in terms of the jurisdiction over the first instance intellectual property cases in China. 4 specialized Intellectual Property Courts in Beijing, Shanghai, Guangzhou and Hainan, 27 Intellectual Property Tribunals, numerous competent Intermediate Courts<sup>1</sup> and an array of basic level courts designated by the Supreme People's Court altogether are exercising jurisdiction over different categories of first instance intellectual property proceedings.

However, the jurisdictional rules expounding the geographical range covered by these courts or tribunals and the jurisdiction thresholds over object of action (in terms of civil proceedings) have been scattered and often not easily accessible to practitioners.

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<sup>1</sup> Competent Intermediate Courts as mentioned in this article refer to the intermediate courts of the cities where the governments of provinces, autonomous regions and municipalities directly under the Central Government are located and the intermediate courts designated by the SPC.

The occasional inconsistency and ambiguity of the existing rules, in particular those concerning the basic level courts further complicates the nation's intellectual property jurisdiction landscape.

In response to the conundrum, the Supreme People's Court (SPC) promulgates on 20<sup>th</sup> April 2022, "*Several Provisions on the Jurisdiction over First-instance Civil and Administrative IP Cases*" (the new Judicial Interpretation) and the "*Jurisdiction Thresholds of Basic Level People's Court over First-instance Civil and Administrative IP Cases*" to streamline the jurisdiction rules. The new Judicial Interpretation has come into force as of 1<sup>st</sup> May 2022.

In principle, the new Judicial Interpretation breaks down all the intellectual property proceedings into three categories: 1) those highly technical (as enumerated in items 1 & 2), 2) those less technical (as in item 3) or those pertinent to certain administrative authorities (as in item 4), and 3) those of general nature (as in item 5).

The rationale behind this is that the first two categories of cases are to be adjudicated by the more experienced judges in the specialized IP Courts and competent Intermediate Courts, while the cases of general nature could be delegated to and decided by basic level courts sanctioned by the SPC.

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For ease of understanding, the jurisdiction rules stated in Articles 1, 2 & 3 of the new Judicial Interpretations could be delineated as follows:

Item #	First-instance Proceedings concerning	Governed by
1	Civil and administrative disputes over the <u>ownership and infringement</u> of invention patents, utility model patents, new varieties of plants, layout design of integrated circuits, technical secrets and computer software	<ul style="list-style-type: none"><li>IP Courts, or</li><li>Competent Intermediate Courts</li></ul>
2	Civil and administrative monopoly disputes	
3	Civil and administrative disputes over the <u>ownership or infringement</u> of <u>design patents</u> and the <u>recognition of well-known trademarks</u>	<ul style="list-style-type: none"><li>IP Courts, or</li><li>Intermediate Courts (including competent Intermediate Courts and other Intermediate Courts), or</li><li><u>basic level courts appointed by SPC (not applicable to administrative disputes over design)</u></li></ul>
4	Administrative actions involving the ministries, institutions, departments affiliated to the State Council, governments at or above country level or Customs	<ul style="list-style-type: none"><li>IP Courts, or</li><li>Intermediate Courts (ditto)</li></ul>
5	Other civil and administrative IP disputes	Basic level courts appointed by SPC

The new Judicial Interpretation displays a definite tendency: the SPC is delegating the jurisdictional power over the first instance civil and administrative IP cases to a much bigger pool of courts. There are a few changes that merit attention.

For starters, the new Judicial Interpretation rules out contractual disputes concerning invention patents, utility model patents, new varieties of plants, layout design of integrated circuits, technical secrets and computer software from highly technical cases. These contractual disputes will fall within the remit of the basic level courts or in very rare cases, the higher-level courts if the value of the case exceeds certain thresholds.

The SPC then gives a greenlight to allow intermediate courts and some eligible basic level courts to adjudicate civil and administrative disputes over the ownership or infringement of design patents and the recognition of well-known trademarks.

It is very welcome that the SPC releases the "*Jurisdiction Thresholds of Basic-level People's Court over First-instance Civil and Administrative IP Cases*", which explicitly enumerates the geographical range and corresponding threshold of jurisdiction of 556 basic level courts, some of which, such as the 6 basic level courts in Beijing, are given more leeway in docketing cases.

The new Judicial Interpretation leaves the jurisdiction of the IP Courts

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unchanged. Moreover, the general jurisdictional rules governing civil or administrative litigations that have been in place remain effective, which means if an IP matter is of nationwide or provincial impact, the SPC and the high courts may take the case in the first instance proceeding.

There are also exceptions to the jurisdiction rules though.

In case of any of the following scenarios, the court at a higher level may opt to grant the request of a lower court or to decide of its own accord on moving a case that is originally governed by the lower court, up to its jurisdiction.

- Where a civil or administrative IP case is of new type;
- Where a civil or administrative IP case is intricate or complex;
- Where a civil or administrative IP case is of guiding significance in terms of the application of law.





# CHAPTER 2

Case  
Law

# What applicants need to know about Article 4 of the Trademark Law

*Authored by Ye Cai and Liangchen Zhang, first published by IAM*

Trademark applicants in China need to be aware of Article 4 of the Trademark Law and, more specifically, how the China National Intellectual Property Administration (CNIPA) is using it to dismiss trademark registration.

Article 4 was introduced in the 2019 round of amendments and specifies that “any application for the registration of a trademark made in bad faith without intention to be used shall be rejected” as part of an effort to slow the proliferation of trademark filings and hoarding in China. In practice, the CNIPA has used this article to dismiss the registration of a large number of trademarks.

Trademark examiners can invoke Article 4 to refuse a registration *ex officio*. There are two conditions under which this article can be invoked:

- the trademark has been filed in bad faith; and
- there is proof that the applicant has no intention to use it.

However, in the absence of obvious circumstances (eg, large numbers of trademarks filed by the same applicant), it is difficult to know with absolute certainty whether an applicant intends to use the trademark. Therefore, in practice, the recourse to Article 4 is more often found in opposition or invalidation cases, when the applied-for mark has been preliminarily approved or even registered. There have been several recent opposition decisions that highlight some key ways that the CNIPA can prove lack of intention in trademark prosecution practice.

## Business status

In China, if a trademark application is filed by a Chinese natural person, the applicant must submit proof of business and its activity. This is usually in the form of a licence of sole proprietorship.

In 2022 a Chinese individual filed two applications for the JAWKU mark in Classes 9 and 28. In the subsequent opposition procedures, the CNIPA found that the applicant's business licence had been cancelled before the filing date, without a legitimate successor. The CNIPA concluded that the individual had lost their eligibility as an applicant and that, in the absence of active business operations, the opposed mark could not be used on the designated goods and function as a source identifier. Therefore, the CNIPA did not approve the registration of the opposed trademarks based on Article 4.

## Trademark trading record

The applicant for the AXV mark in Classes 5 and 42 and its affiliated companies applied for nearly 3,000 trademarks, some of which were a blatant imitation of other brands. They were also found to be offering to sell some of these marks online. In the opposition decisions, the CNIPA held that the filing of such a large number of trademarks – combined with attempts to sell some online – was proof that the trademarks were not filed for normal commercial activities. The CNIPA refused registration for these opposed trademarks, again based on Article 4.

Statistics from Mozlen, an unofficial local trademark database, indicate that as of December 2022, the CNIPA had issued around 680 opposition decisions and 230 invalidation decisions on the basis of Article 4. While these examples do not showcase all of the possible ways the CNIPA could apply the article, in order to avoid rejection in trademark offensive actions, it is crucial that applicants be prepared for the CNIPA to conduct comprehensive searches and make use of what it discovers.

Wanhuida represented the opponents in the aforesaid cases.

# Brand owners should avoid geographic names in marks to prevent confusion around their source

*Authored by Ye Cai and Yongjian Lei, first published by IAM*

Article 10.2 of China's Trademark Law sets forth that a foreign geographic name known to the public shall not be used as a trademark, unless such name has other meaning.

On November 12, 2021, the Beijing High Court overruled an invalidation decision surrounding a trademark registration for "米兰", the Chinese equivalent to Milan, the geographic name of a famous Italian city. This case is selected as one of the 50 Exemplary Intellectual Property Cases of 2021 by China Supreme People's Court.

Jiangxi Milan is a major player in the wedding photograph shooting industry in China. Starting off as a supplier of wedding dress marketed under the brand "米兰" in 1986, it opened a homonymic shooting studio in 1996 and obtained its first trademark registration for  (traditional Chinese for Milan) designating "photograph shooting" services in 1999. It applied in 2010 and obtained in 2012 registration for the simplified version "米兰" (contested mark) in class 41.

## Case Law

In 2019, a natural person initiated an invalidation action against the contested mark, contending that it is a famous geographic name in Italy and the registration is a breach of the absolute ground set forth in Article 10.2 of the Trademark Law. On October 29, 2020, China National Intellectual Property Administration (CNIPA) backed the petition and invalidated the contested mark. In the ensuing administrative litigation, the Beijing Intellectual Property Court (BIPC) upheld the CNIPA invalidation decision on June 24, 2021.

Jiangxi Milan appealed before the Beijing High Court.

The court of appeal overturned the CNIPA decision based on the below reasoning:

1. The legislative purpose of Article 10.2 of the Trademark Law is two-pronged: a) to ensure the public freedom of expression over geographic names and prohibit monopoly over public resources; and b) to avoid confusion and misidentification among the public. A geographic name is registrable on the premise that it has “other meaning”, which shall cover either of the following two circumstances: a) the said mark has other intrinsic meaning apart from indicating a geographic name; or b) the said mark has acquired, through use, secondary meaning that has been acknowledged by the relevant public.

2. With regard to the argument the plaintiff raised that the contested mark also refers to aglaia odorata, a flower in the Chinese language, the court ascertains that it is undeniable fact that the contested mark is better known as the name of an Italian city among the Chinese public. Therefore, the argument was dismissed.
3. However, the evidence filed by Jiangxi Milan, including but not limited to the scale of its business operation in China, its exceptional financial performance, continuous advertising and promotion campaigns, and the recognition over the visibility of the contested mark by various administrative & judicial authorities, suffices to attest that stable correspondence has been established between the registrant and the contested mark amongst the relevant public in China and the said mark has acquired secondary meaning (other than the indication of a geographic name) through extensive use. The court also affirms that Jiangxi Milan exhibited no intention in piggybacking the Italian city neither in filing for nor in actual use of the contested mark.

The court upheld the registration of the contested mark on its core services "photographic reporting services; photography; microfilming; recording of video tapes; production of video tapes; rental of stage scenery; production of shows; digitalizing films", whilst invalidated its registration on the services "translation; rental of cinematographic cameras" for lack of evidence on acquired secondary meaning.

## Case Law

The case may serve as a point of reference in prosecuting trademark that is either a geographic name or has a geographic name component in China. Practitioners may resort to the parameters set forth by the Beijing High Court in assessing the registrability of such a mark:

1. In case the public has an equivalent or higher degree of familiarity over the mark's "other intrinsic meaning" than its geographic name indication, the mark is registerable provided that evidence could be furnished to prove its inherent distinctiveness.
2. In case the public has a significantly lower degree of familiarity over the mark's "other intrinsic meaning" than its geographic name indication, the mark is registerable provided that it has acquired secondary meaning through extensive use and may serve as a source identifier.

In practice, the CNIPA tends to *ex officio* reject trademark application that is either a geographic name or has a geographic name component. Brand owners better check with their local counsel before filing for such a trademark in China. For those having managed to secure a registration, registrants are advised to take extra precautions during actual use of these marks and consciously distance the mark from the geographic name to avoid creating undue association or confusion over source of origin.

Wanhuida represents Jiangxi Milan in both instances of court proceedings.

# BNIC successfully invalidates one of the Chinese transliterations for 'Cognac'

*Authored by Xiaoning Pu,  
first published by WTR*

The *Bureau National Interprofessionnel du Cognac* (BNIC) is a coordination and decision-making body for the Cognac industry, comprising an equal number of winegrowers and merchants. The primary mission of the BNIC is to represent, foster and protect the geographical indication (GI) 'Cognac' in France and abroad. The BNIC owns registrations for the GI collective trademarks COGNAC and 干邑 ('Cognac' in Chinese characters) in Class 33 in China.

On 7 April 2015 a Chinese company, Zhejiang Zhen Wine Network Technology Ltd, applied for the registration of the trademark 康涅克 ('Kang Nie Ke' in Chinese) in Class 33. The mark was registered on 28 May 2016.

On 17 December 2020 the BNIC brought an invalidation proceeding against the mark before the China National Intellectual Property Administration (CNIPA), contending that 'Cognac' is a famous foreign place name and an appellation of origin/GI for French wine. As 康涅克 is one of the Chinese translations of 'Cognac', it should thus be invalidated.

## Decision

The CNIPA issued a ruling invalidating the registration of the disputed mark based on following reasoning:

1. The evidence furnished by the BNIC substantiated that 'Cognac' is a GI for French wines, that 康涅克 is one of its Chinese transliterations, and that 'Cognac' had acquired, prior to the application date of the disputed mark, a high reputation in Mainland China. The disputed mark is identical to 康涅克, yet the evidence adduced by the registrant was insufficient to prove that the goods bearing the mark originated from the Cognac region. Consequently, if the disputed mark was allowed to be used on wines, it is likely that the relevant public would be misled into believing that the wines to which the disputed mark is attached originate from the Cognac region or have certain characteristic features thereof, which constitutes the scenario described in Article 16.1 of the 2013 Trademark Law (*"A trademark is prohibited from being registered or used if it comprises a GI component of the designated goods but the goods do not*

*originate from the place indicated by said GI, thus misleading the public”).*

2. The evidence furnished by the BNIC sufficed to prove that ‘康涅克’ is extensively perceived as the Chinese transliteration of the known foreign geographic name ‘Cognac’ in China. Given that the registrant had failed to prove that the disputed mark had acquired, through use, other meanings apart from that of the prior GI and known foreign place name, the disputed mark violated Article 10.2 of the 2013 Trademark Law (“ [...] foreign geographic names known to the public shall not be used as trademarks unless said names have other meanings [...]”).

## Comment

It is not unusual for a single foreign trademark, GI or place name to correspond to several Chinese translations, other than the official one. Some trademark squatters have cunningly chosen to register the unofficial Chinese translation(s) to lower the risk of being challenged.

In prosecution practice, the CNIPA has been granting protection to the unregistered Chinese translation (official or unofficial) of foreign trademarks/GIs. Nevertheless, this is probably the first time that the agency has made it clear in writing that:

*the protection of foreign GIs includes the protection of their*

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*Chinese translations, which are not limited to a certain fixed official translation. Any Chinese translation that may be perceived by the relevant public as the Chinese counterpart of the foreign GIs could be included in the scope of protection.*

The decision will be particularly conducive to the protection of the unofficial unregistered Chinese counterparts of foreign GIs in China.

Wanhuida represented the BNIC in the invalidation proceeding.

# The Clipper Case: Beijing High Court finds 3D mark containing distinctive word element to be non-distinctive

*Authored by Xiangrong Wu,  
first published by WTR*

FLAMAGAS S.A. is a Spanish manufacturer of cylindrical shaped lighters, which are marketed under the brand “CLIPPER”. FLAMAGAS owns the below 3D trademark registration containing word mark CLIPPER (hereinafter referred to as the Clipper Mark), designating goods including lighters for smoking, cigar cutters, pipes, among others, in class 34 in China.



A Chinese rival Shaodong Lotus Lighter Manufacturing Co., Ltd. (hereinafter referred to as Lotus) filed an invalidation application against the Clipper Mark on April 23, 2018, contending that the said mark is devoid of distinctiveness, thus should be invalidated. The then Trademark Review and Adjudication Board (TRAB, which was later integrated into

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China National Intellectual Property Administration, “CNIPA”) found that, the Clipper Mark consists of 3D lighter shape and word representation “CLIPPER”. Though the 3D element is devoid of distinctiveness, the word element is distinctive so as to make the Clipper Mark distinctive as a whole. TRAB therefore overruled Lotus’s petition and maintained the registration of the Clipper mark on April 28, 2019.

Flamagas later filed an administrative lawsuit before the Beijing Intellectual Property Court to challenge the TRAB finding re the non-distinctiveness of the lighter shape of the Clipper Mark. On December 23, 2019, the IP court dismissed the petition of Flamagas. The court found that the simple design of the 3D shape, which is likely to be identified by the relevant public as the shape of the lighter *per se*, rather than a source identifier, is not inherently distinctive. Also, the evidence does not suffice to prove that this shape has acquired secondary meaning through extensive use. The court therefore ascertained the finding of the TRAB.

Flamagas appealed to Beijing High Court, the court of appeal.

## Reasoning of the High Court

The court of appeal opted to ascertain the distinctiveness of the Clipper mark in its entirety, rather than focusing merely on the 3D shape component.

The court first assessed the functionality of the litigious mark. It opined

that the design of the lighter, which is neither “the mere indication of the shape inherent in the nature of the goods concerned”, nor is “only dictated by the need to achieve technical effects or to give the goods substantive value”, is not functional.

In terms of the assessment of distinctiveness, the court explicitly enumerated the parameters to be weighed up in general, namely the intrinsic meaning of the sign per se, the designated goods/services, cognitive habit of the relevant public as well as the actual use of the litigious mark in the relevant industry. The court specifically underscored the employment of a holistic approach in assessing the distinctive features of a litigious mark with a 3D element, noting in principle, the said mark is not to be deemed distinctive simply because it contains word, device or other elements.

The court analysed that, the Clipper mark is a 3D shape delineating a regular shape of lighters and the word element “CLIPPER” incorporated in the shape is too inconspicuous to be noticed by the relevant public paying a general level of attention. When being used in its entirety on lighters for smoking, the litigious mark would be “the mere indication of the shape inherent in the nature of the goods”. Conversely, when being used on other goods, it would be perceived as a packaging or ornamental pattern by the ordinary consumers thus fails to function as a source identifier. The court of appeal also sided with the IP Court that the litigious mark has yet acquired distinctiveness through extensive use and promotion.

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On December 15, 2021, the court rescinded the TRAB decision maintaining the registration of the Clipper Mark and ordered the CNIPA to re-make an invalidation decision.

## Comment

The Clipper case is a live example of Article 9.8 of the *“Guidelines of the Beijing High People’s Court for the Adjudication of Cases Involving Granting and Affirmation of Trademark Right”* (2019), which reads *“If a litigious trademark consists of a three-dimensional sign, it shall be judged as a whole as to whether the trademark is distinctive. In general, this trademark shall not be determined as distinctive for containing any words, graphic or other elements.”*

The guidelines are a surprising divergence from the court’s previous practice.

In June 2017, the Beijing High Court refused the application for 3D mark containing word element MONTBLANC MEISTERSTUCK (see below image), finding the words and graphic in the mark inconspicuous and the applied mark is more likely to be identified as pen shape, rather than a source identifier. Following the reasoning of this case, it seems safe to infer that “a 3D mark may be deemed distinctive as a whole, provided that the words, graphic, or other components of such mark can be easily identified”?



The newly revised Trademark Examination and Adjudication Manual (effective as of January 1, 2022) uses MONTBLANC MEISTERSTUCK mark as an example of non-distinctive 3D mark. Nevertheless, the Manual notes that, a 3D mark consisting of non-distinctive shape and distinctive 2D elements (as illustrated below) is generally regarded as distinctive in its entirety.



The incoherent methodology adopted by the Beijing High Court and the CNIPA could further complicate the prosecution landscape of 3D marks in China. Even if a 3D mark could pass the functionality check and distinctiveness test of the CNIPA, it may not survive the rigorous scrutiny of the Beijing High Court, if its distinctiveness is neither intrinsic nor

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acquired, but solely hinges on other elements incorporated in the 3D shape. In practice, brand owners are strongly recommended to gather evidence on the extensive use and promotion of their 3D marks and in the meantime seek alternative routes (like filing design patent and/or registering copyright) to add extra layer of protection to their 3D shapes.

# Court grants well-known trademark protection to Champagne GI

*Authored by Wei He,  
first published by INTA*

In a judgment rendered on February 22, 2022, the Beijing Intellectual Property Rights Court affirmed that CHAMPAGNE, as a geographic indication (GI) and collective mark, held well-known status in China and was granted the cross-class protection.

Champagne is recognized worldwide as a famous GI. Produced only in France's Champagne wine region, the sparkling wine is protected as a GI under the rules of the appellation. *The Comité Interprofessionnel du vin de Champagne* (CIVC) represents all parties (growers, wine houses, cooperatives, merchants, etc.) involved in the production of Champagne. One of the organization's responsibilities is to protect the GI globally. In China, CIVC owns the GI and collective mark CHAMPAGNE (No. 11127266) and its Chinese characters 香槟 (No. 11127267).

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In 2020, CIVC discovered that Guangzhou Xue Lei, a Chinese cosmetic company, launched a perfume called Champagne Life (香槟人生).

CIVC was concerned that Guangzhou Xue Lei was not only intentionally benefiting from Champagne's reputation in the marketplace, but its use of Champagne Life weakened the GI's distinctiveness. CIVC therefore filed a lawsuit in April 2020 (2020 Jing 73 Min Chu 371) against Guangzhou Xue Lei, claiming the cross-class protection of its well-known trademark.

The Beijing Intellectual Property Rights Court rendered its judgment of first instance on February 22, 2022, affirming that CIVC's GI and collective mark held well-known status in China and was granted the cross-class protection. In its judgment, the court made clear that the Champagne GI has two special characteristics that give it well-known status: (1) it must be in use as a GI for many years before it can be registered as a collective trademark; and (2) rather than CIVC, as the trademark holder, CIVC members (such as Dom Pérignon, Moët & Chandon, Perrier-Jouët, and Veuve Clicquot) actually use the trademark commercially. As such, when examining the reputation of a GI collective mark, it is necessary to consider the reputation of CIVC members as well as the previous reputation of the GI prior to the registration of its GI trademark.

This is the first time a foreign GI and collective mark has been granted cross-class protection as a well-known trademark in China. The judgment indicates that Chinese courts are leaning toward acknowledgment of the

commercial value of GIs in granting well-known protection. Guangzhou Xue Lei filed an appeal in April 2022, and it therefore remains to be seen whether the court's judgment will stand.

Wanhuida represented the CIVC in the civil litigation.

# Champagne's Journey: A Roadmap for the Protection of Foreign GIs in China

*Authored by Yongjian Lei and Xiaoning Pu, first published by WTR*

*The Comité Interprofessionnel du vin de Champagne (CIVC) is the trade association representing the interests of independent Champagne producers and Champagne houses. Champagne is known by Chinese consumers as '香槟', one of the transliterations of the French appellation d'origine contrôlée (controlled designation of origin). Starting in 1989, when the then China Trademark Office (CTMO) confirmed in two administrative notices that the appellation of origin '香槟' was not a generic name and was thus eligible for protection, up to 2022 when the Beijing Intellectual Property Court ruled that 香槟 was a well-known trademark, the CIVC has been advancing the legal protection of the geographical indication (GI) '香槟' in China for over three decades. This journey outlines a roadmap for the protection of foreign GIs in China.*

## Progression of protection over past three decades

On 2 August 1989 and 26 October 1989, the CTMO, under the State Administration for Industry and Commerce, issued two administrative notices affirming that '香槟' is a French appellation of origin which cannot be used as a generic name for wine.

On 29 July 1996 the CTMO clarified, in its reply to the Sichuan Provincial Administration for Industry and Commerce, that '香槟' is the transliteration of the French denomination 'Champagne', which refers to a sparkling white wine originating from the Champagne region in France. It is an appellation of origin and a foreign place name that is known to the public. The CTMO reiterated that, as a member to the Paris Convention, China was obliged to protect appellations of origin, which fall under the remit of industrial property.

On 18 January 2012 the former General Administration of Quality Supervision, Inspection and Quarantine issued the "Announcement on Accepting Champagne's Application for Geographical Indication Protection Registration" and, on 11 April 2013, promulgated the "Announcement on Approving the Protection of Geographical Indication Products for Champagne", recognising '香槟' as a GI product entitled to protection in China.

On 20 December 2012 the CTMO approved, in its longest-ever publication, the preliminary examination of the GI collective trademarks

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CHAMPAGNE and 香槟 in a supplementary Trademark Gazette. On 20 March 2013, upon the expiry of the publication period, the two trademarks were approved for registration. This heralded the protection of 'Champagne' and '香槟' as GI collective trademarks in China.

On 10 February 2015 the Beijing No 1 Intermediate People's Court reasoned in a case involving the CIVC and Beijing Sheng Yan Yi Mei Trading Ltd (a seller of soft drinks bearing the name '香槟 Champagne') that "the protection of a geographical indication should not be premised on its registration as a collective mark or certification mark in China", and thus ruled that the GI should be protected even though it was not (yet) registered in China (back in 2012 when the case was lodged). This was the first civil case in which 'Champagne' was protected as a GI in China.

## Latest decision

On 14 March 2022 the Beijing Intellectual Property Court published an article on its WeChat Official Account, "Intellectual Property Beijing", publicising the court's recognition of the GI collective marks CHAMPAGNE and 香槟 as well-known trademarks in the first instance of a trademark infringement case, *CIVC v Guangzhou Xue Lei Cosmetic Ltd*. The court ascertained that use of the wording 'Champagne Life' and its Chinese counterpart '香槟人生' on perfume constituted an imitation of CIVC's well-known trademarks, which undermined not only the distinctiveness of the marks, but also the correlation between the marks and wines. Based on this reasoning, the court concluded that trademark

infringement could be established. This is the first case in which CHAMPAGNE and 香槟 have been protected as well-known trademarks in civil proceedings in China.

## Comment

Under China's unique dual-track administrative protection system, 'Champagne' is registered as both a GI product and a GI collective trademark. In civil proceedings, Champagne was once protected as an unregistered GI; it is now protected as a well-known GI collective trademark. This journey demonstrates the CIVC's success in formulating tailored protection strategies, adapting to China's evolving administrative and legislative GI protection landscape.

Wanhuida represented the CIVC in the registration of the GI collective trademarks CHAMPAGNE and 香槟, and in the two above-mentioned civil proceedings.

# Bad-Faith Case Puts Agents' Role in the Spotlight

*Authored by Ye Cai,  
first published by INTA*

In the *Emerson* case in April relating to the reimbursement of expenses in trademark administrative actions, the Fujian High People's Court has confirmed the liability of the agency, Xin Jun Intellectual Property Co., Ltd. (Xing Jun), which accounted for 47 of the 48 contested trademarks.

On December 25, 2015, in opposition review cases against the applicant's four IN-SINK-ERATOR trademarks, the Beijing High Court issued second-instance judgments affirming the applicant's bad faith in squatting trademarks. However, Xing Jun continued to represent the applicant in various trademark matters until Emerson initiated its civil case on March 5, 2020. The Xiamen Intermediate Court's first-instance judgment held that Xing Jun was jointly liable for RMB 640,000 (approximately US \$98,000) or 40 percent of the entire damage to the plaintiff.

Dissatisfied with the ruling, Xing Jun appealed, contesting in its petition that:

- The applicant's trademark filings did not infringe Emerson's rights;
- There was no proof that Xing Jun was aware that the applicant intended to engage in trademark squatting and did not intend to use the trademarks commercially; and
- Xing Jun had not earned profits and was charging only very minimal agent fees.

The first-instance judgment (2020 MIN 02 MIN CHU NO. 149) was upheld, stating the agency's obligation to abide by the good-faith doctrine and restricting it from representing bad-faith trademark filers under the Trademark Law. Xing Jun's behavior, including continuing to represent the applicant, was deemed as assisting the applicant's infringement.

## Comment

The current Trademark Law constrains the obligation of trademark agencies in Article 19, and stipulates the consequences of failing to abide by Article 68, in order to regulate trademark agencies' activities and curb bad-faith trademark filings and squatting. Apparently, this mission was accomplished to a certain extent in the current case. It is believed to have an intimidating effect on agencies.

In the meantime, the court's ruling imposes an obligation on trademark agencies to undertake cautious due diligence before accepting a case. Where no public blacklist of bad-faith applicants is available, trademark agencies should pay more attention when accepting instructions, particularly in balancing a client's benefits and professional restrictions.

# Beijing High Court elaborates its position on continuation of trademark registration in Mona Lisa feud

*Authored by Nan Jiang and Huimin Qin, first published by LexisNexis*

On 14th June 2022, the Beijing High Court rendered the final decision in a trademark dispute administrative retrial proceeding surrounding the registration of a disputed mark “ M & MONALISA”, featuring stylized “M & MONALISA” in class 11. The retrial court revoked the decisions of the trial court and the court of appeal, upholding the TRAB decision that partially revoked the registration of the disputed mark. The retrial decision puts an end to a decade-long trademark dispute that went through the TRAB procedure, two instances of court proceeding, a very rare procuratorial protest of the Supreme People's Procuratorate and a retrial proceeding, exhausting almost every possible remedy available in the toolbox.

## TRAB proceeding

The retrial proceeding stems from a trademark dispute procedure instituted on 30th March 2012 by Guangzhou

Monalisa Building Supplies Ltd. (Monalisa BS) and Guangzhou Monalisa Bath Ware Ltd. (Monalisa BW) before the Trademark Review and Adjudication Board (TRAB), challenging the registration of the disputed mark owned by Monalisa Group Ltd. (Monalisa). Citing a prior registration of  ("MonaLisa in Latin & Chinese") owned by Monalisa BS in class 11, Monalisa BS and Monalisa BW jointly alleged that the disputed mark and the cited mark are similar trademarks registered on similar goods, which is in violation of Article 28 of the 2001 Trademark Law.

On 25th November 2013, the TRAB sided with the petitioners, revoked the registration of the disputed mark on "cooking utensils, pressure cooker (electric pressure cooker), bathroom (flush toilet), toilet" and sustained the registration on the remainder goods.

## 1<sup>st</sup> instance

Monalisa initiated an administrative litigation before the Beijing No.1 Intermediate Court, explicitly seeking to reverse the revocation decision in respect of "bathroom (flush toilet), toilet". Other than arguing that the disputed mark and the cited mark are not similar, Monalisa employed a new defence strategy in the administrative suit, introducing a prior registered trademark  featuring identical stylized "M & MONALISA" in class 19, supplementing evidence on the well-known trademark (WKTM) status of the same in "ceramic tiles" and contending that the prior mark's reputation may be extended to the disputed mark so as not to cause confusion with the cited mark.

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Particulars of Monalisa's disputed mark and prior registered trademark, as well as the cited mark of Monalisa BS are as follows.

	Disputed mark	Prior registered mark	Cited mark
Reg. No.	No. 4356344	No. 1476867	No. 1558842
Registrant	Monalisa	Monalisa	Monalisa BS
Trademark representation			
Application Date	10 <sup>th</sup> November 2004	12 <sup>th</sup> July 1999	28 <sup>th</sup> December 1999
Registration Date	14 <sup>th</sup> July 2007	21 <sup>st</sup> November 2000	21 <sup>st</sup> April 2001
Class	11	19	11
Designated goods	Light, <u>cooking utensils</u> , <u>pressure cooker</u> ( <u>electric pressure cooker</u> ), <u>bathroom</u> ( <u>flush toilet</u> ), <u>toilet</u> , fan (air conditioning), faucet, water purifying apparatus and machine, heater	Non-metallic floor tiles, <u>ceramic tiles</u> , non-metallic wall tiles for building, mosaics for building	Steam bath facility, sauna installation, <u>bath fittings</u> , portable hammam, facial sauna (steam bath), steam generator, shower installation, gas water heater, electric water heater, shower stall

In February 2015, the first instance court ruled in favor of Monalisa. The rationale behind the decision is: the prior registered mark is well-known trademark which has been endorsed by both administrative agency and courts; the prior registered mark is identical with the disputed mark, and their designated goods “tiles” and “bathroom (flush toilet), toilet” are similar due to strong association in function and usage and shared sales channel and consumer group; therefore, the reputation of the prior mark may extend to the disputed mark. On top of that, the holistic visual difference between the disputed mark and the cited mark makes them distinguishable. It therefore concluded that cited mark will not be a hinderance to the registration of the disputed mark on “bathroom (flush toilet), toilet”.

## Appeal

Monalisa BS, Monalisa BW and TRAB appealed before the Beijing High Court, which dismissed the appeal in June 2016.

The court of appeal found that “bathroom (flush toilet), toilet” of the disputed mark are not similar to “bath fittings” of the cited mark. It also echoed the findings of the first instance court on the dissimilarity between the disputed mark and cited mark.

Most importantly, the court of appeal found Monalisa's new defence tenable. The court held that as to the trademarks registered by a same registrant in succession, the later registered mark is not necessarily the

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extension of a prior mark. However, where a prior registered trademark has acquired certain reputation through use so that the relevant public not only associate the same registrant's later registered identical or similar marks in terms of identical or similar goods with such prior registration, but also draw the conclusion that the goods to which the two marks are attached both originate from or have certain association with the said registrant, the reputation of the prior mark may be extended to the later trademark.

The court found that the WKTM recognition of Monalisa's prior mark on tiles corroborated the fact that the mark had gained remarkable market share and that stable correspondence had been established between the mark and Monalisa among the relevant public. In combination with the finding that "tiles" (of the prior mark) and "bathroom (flush toilet), toilet" (of the disputed mark) constitute similar goods for their association in respect of usage, production sector, sales channel and consumer group, and that the two marks share similar components and holistic visual appearance, the court concluded that the reputation of the prior mark could extend to the disputed mark and the public would identify Monalisa as the source of the "bathroom (flush toilet), toilet" products. The public would be able to distinguish the disputed mark from the cited mark and is unlikely to misconstrue or misidentify the source of origin of the goods to which the marks are attached.

## Retrial

Monalisa BS and Monalisa BW jointly filed for trial supervision before the Beijing Municipal Procuratorate, which referred the case to the Supreme People's Procuratorate (SPP). The SPP lodged a procuratorial protest before the Supreme People's Court, which remanded the case to the Beijing High Court for a retrial.

The retrial court reassessed the merits of the case and expounded its view in an array of matters including similarity assessment of trademarks and goods, continuation registration, among others.

The retrial court weighed in on the shared trademark components and the identical Chinese pronunciation of the disputed mark and the cited mark, factored into the reputation of the two marks, and concluded that similarity of two marks could be established. Given that the contentious goods of the disputed mark and the cited mark are sanitary ware offered for sale in the same sales area or in proximity to each other, targeting the same group of consumers and are categorized under the same subclass by the *"International Classification of Goods and Services for Filing Trademark Applications"*, the court found they constitute similar goods.

What is particularly intriguing is the retrial court's position on trademark continuation registration. First and foremost, the retrial court reiterated the independence of the exclusive rights as conferred on a single trademark registrant by different registered trademarks, clarifying that

the trademarks registered by the same registrant in succession do not naturally make the later mark a continuation registration of the senior/prior one.

The retrial court went on to analyse whether a cited mark registered by the third party chronologically in between a prior registered mark and a later applied mark of the same registrant/applicant may become an obstacle for the registration of the later mark. "In between" means the registration date of the cited mark falls between the registration date of the prior mark and the application date of the later mark. The court opined that where such a cited mark that is identical with or similar to the later mark and has acquired certain reputation by means of continuous use, the later mark shall not be approved for registration, provided that the applicant of the later mark fails to prove that its prior mark has been used or has acquired reputation through use insofar as it is unlikely to create confusion among the relevant public.

The retrial court reasoned that Monalisa's prior mark has been recognized as well-known as of 16th October 2006 yet the application date of the later (disputed) mark is 10th November 2004. That is, at the time when Monalisa filed for the disputed mark, there is no evidence to prove that its prior mark had been known by the relevant public and acquired remarkable reputation. The prior mark is registered in class 19, yet the cited mark and the disputed mark are designated to be used on goods in class 11. The reputation of a trademark registered in class 19 cannot necessarily extend to goods in class 11. Again, the evidence

adduced by Monalisa failed to prove that the reputation of the prior mark in respect of tiles suffices to distinguish the disputed mark from the cited mark, when the former is used on “bathroom (flush toilet), toilet” and would not cause confusion or misidentification among the relevant public.

The retrial court therefore threw out the continuation registration argument of Monalisa.

## Comment

The Beijing High Court boils down the matter to the extension of reputation rather than the continuation of the mark *per se*.

It is interesting because in 2017, the SPC has categorically denied in *Spider King Group Co., Ltd. v TRAB and USA Spider Group Limited*, trademark continuation registration (except through registration renewal), where applicants attempt to leverage prior registration in boosting the chance of registrability of a later similar trademark. But the SPC acknowledged that reputation built up on a prior registration may be extended, but this is not automatic.

It also reminds us of the civil dispute *Monalisa v Monalisa BS et al.* [(2017) Zui Gao Fa Min Zai No. 80], where Monalisa contended that its  mark (prior mark in this case) in class 19 should be granted protection in class 11 so that Monalisa BS's use of  mark (cited mark in this case)

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constitutes trademark infringement of its prior mark. The argument was dismissed by the SPC on the ground that the application date of the cited mark predates the time when the prior mark has reached well-known.

The Beijing High Court and the SPC has reached consensus in this: where a registrant's prior mark failed to stop an in-between registration of a third party in another class, the same registrant's later mark in the same class as the third party's registration may be challenged by the said in-between registration.

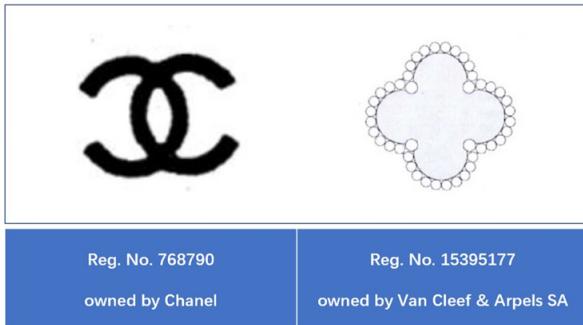
# CNIPA affirms selling products using other's figurative trademark as product shape constitutes trademark infringement

*Authored by Mingming Yang*

On September 8, 2021, in response to the Request for Instructions submitted by the Sichuan Provincial Intellectual Property Office concerning whether the act of selling goods with the shape identical with other's device mark registered on similar goods constitutes trademark infringement (Chuan Zhi Han [2020] No. 16), the China National Intellectual Property Administration (CNIPA) affirms that No. 768790 device mark owned by Chanel and No. 15395177 device mark owned by Van Cleef & Arpels SA have gained high reputation and distinctiveness. The aforesaid marks, which have formed a unique correspondence with the right holders, are closely associated with their right holders by the relevant consumers. Using these device marks as product shape would function as source identifier of the goods, thus is likely to cause confusion among the relevant public. Based on the finding, the CNIPA concludes that such behavior constitutes trademark infringement as

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provided in Article 76 of the Implementing Regulations of the Trademark Law, which reads “*the use of a sign identical with or similar to other's registered trademark as product name or decoration on the same or similar goods, which misleads the public, constitutes infringement upon the exclusive right to use a registered trademark as stipulated in Article 57 (2) of the Trademark Law.*”



# Punitive damages awarded in civil case

*Authored by Ye Cai,  
first published by INTA*

Xiaomi Technology, a consumer electronics and smart manufacturing company, was awarded RMB 30 million (approximately US \$4.7 million). The Shenzhen Intermediate People's Court awarded three times punitive damages, plus reasonable costs. The judgment was issued on December 31, 2021 and was reported on February 9, 2022. (2020) Yue 03 Min Chu No. 7080.

As one of China's largest smart phone companies, Xiaomi Technology's business spans 80 countries worldwide. Its trademarks, including XIAOMI in Chinese and the MI logo,

 , have been repeatedly recognized as well-known trademarks in China, with Xiaomi having entered the household electric appliances market years ago, where it established a loyal customer base.

The defendant is a Shenzhen-based company as registered under the name "Shenzhen Xiaomi Trading Co., Ltd." on December 24, 2012, and since then operating under the Chinese trade name, Xiaomi (which is identical to plaintiff's trademark). The defendant runs a

store named “Xiaomi Digital Franchised Store” on Tmall, one of China’s most predominant e-commerce platforms, where the plaintiff’s Chinese mark/trade name 小米 is extensively used in the title of a line of branded products. The defendant used  as its logo, which highly resembles the plaintiff’s  logo, used on its online storefront.

In December 2020, the plaintiff initiated the lawsuit against the defendant under the Trademark Law and Anti-Unfair Competition Law. The court ordered the defendant to do the following:

1. Cease trademark infringement by removing Xiaomi in Chinese from its store names and product descriptions;
2. Cease using Xiaomi in Chinese in its business name; and
3. Pay RMB 30 million in compensation, including punitive damages.

Punitive damages were introduced into China’s Trademark Law as part of the 2013 Trademark Infringement Act, effective as of May 1, 2014, and the upper limit was increased from three times punitive damages to five times punitive damages in 2019. The Supreme People’s Court of China (SPC) released the *"Interpretation on Application of Punitive Damages in Trying Civil Cases on IP Infringement"*, expatiating the application conditions of punitive damages in 2021.

In *Wyeth v. Guangzhou Wyeth*, the Zhejiang High Court clarified that punitive damages shall be calculated based on basic compensation. The

SPC's interpretation and the above calculation is reflected in the Xiaomi case. The court upheld the plaintiff's claim for punitive damages based on the following:

1. The defendant's bad faith, including its awareness of the plaintiff's well-known trademark as well as its combining of the Xiaomi trademark and trade name, similar to how the plaintiff used the mark; and
2. The serious circumstances, including the defendant's significant profits from infringement and its past infringement record, once sued by Huawei for similar trademark infringement.

# Huaihai v Hairun - Chongqing court awards RMB 30 million in damages in infringement suit

*Authored by Paul Ranjard and  
Nan Jiang, first published  
by WTR*

Huaihai Holding Group ('Huaihai') is a leading Chinese manufacturer of tricycles, motorcycles, scooters and e-bikes, created in 1976. The main trademarks of the group are 淮海 (HUAIHAI) and 淮海 HUAIHAI, which were registered on 20 May 1988 in Class 12 (tricycles and motorcycles). The trademark for tricycles was recognised as well known nationwide in 2011.

On 13 November 2013 Huaihai, citing its 淮海 mark registered in Class 12, filed a request for the invalidation of the trademark depicted below (HUAIHAI), which was registered on 14 November 2008 in Class 4 (lubricant products) by Huaian Hairun Petrochemical Ltd ('Hairun'):



Huaihai claimed that the use of its well-known trademark on lubricant products, which are closely related to tricycles, was likely to create confusion between the two companies.

The case went all the way to the Supreme People's Court (SPC), and Hairun's trademark was finally invalidated on 31 December 2020. The SPC found that:

- the products designated by the two trademarks (tricycles and lubricants) were somehow associated;
- the cited prior mark had a high reputation; and
- Hairun obviously attempted to free ride on the reputation of Huaihai.

During the length of the proceedings (a period of 13 years), Hairun used its infringing mark and its infringing products were extensively distributed in dozens of provinces and municipalities in China. Hairun did not even cease using the infringing mark after the mark was declared invalid by the SPC.

In January 2022 Huaihai initiated a trademark infringement and unfair competition suit against Hairun, its affiliated company Jiangsu Haina Petroleum Products Ltd, as well as two local dealers, before the Chongqing No 1 Intermediate Court. The plaintiff sought the immediate cessation of the infringement and compensation of RMB 30 million to cover its losses and costs. The plaintiff adduced evidence to prove

that the defendants had profited in an amount exceeding RMB 245 million from the infringing activity during the period between 2008 and 2018 and, considering the defendants' bad faith, claimed that punitive damages (amounting to twice the economic losses) should apply. However, the plaintiff opted to assert damages of RMB 30 million in this case.

## Chongqing court decision

On 24 October 2022 the Chongqing No 1 Intermediate Court ruled in favour of the plaintiff, awarding the full amount claimed based on the following reasoning:

- The court concurred with the SPC regarding the close association between the goods designated by the two trademarks and the likelihood of confusion.
- The court rejected the defendants' argument that, by waiting for many years, the plaintiff had been negligent in exercising its rights. The court specified that the complaint had been filed within the statute of limitations, since the term should be calculated from the date of the SPC decision invalidating the trademark.
- The court was satisfied that, based on the evidence, the defendants' profits during the period between 2008 and 2018 exceeded RMB 245 million.
- The final issue was whether, during the period preceding the

invalidation of the litigious trademark - a period during which the trademark was thus valid - the business activity that had retroactively become infringing could be sanctioned by an award of damages in favour of the plaintiff. The defendants argued that, since the trademark was valid during this period, they had a "right to use" the trademark and should not be held liable for compensation since the activity was legal. The court analysed Article 47 of the 2019 Trademark Law, which provides that, when a trademark is declared invalid, it shall retroactively be deemed to be non-existent ab initio. However, such retroactivity does not apply to judgments or rulings rendered in favour of the trademark owner, or to contracts signed by the trademark owner, among others, made and executed prior to the invalidation decision. In this case, the court found that the non-retroactivity exception provided by Article 47 did not apply since the owner of the invalidated trademark was the infringer itself. Further, the court noted that the amount of profit yielded by the infringer was much higher than the amount claimed and, therefore, awarded the full RMB 30 million requested by Huaihai.

## Comment

The main issue in this case was whether damages should be paid by the owner of the infringing trademark in relation to the period preceding the invalidation of the mark (ie, the period during which the mark was registered). The courts, in several decisions, have refused to award such

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damages unless the bad faith of the infringer was established; the draft amendment of the Trademark Law agrees with these decisions, as it adds the condition of bad faith in favour of the “retroactive” infringer. The present case clearly reiterates that the invalidation of a trademark is retroactive, and that the exception provided by Article 47 does not apply in favour of the infringer. The court also took into account the obvious bad faith of the infringer.

Wanhuida represented Huaihai in the trademark infringement and unfair competition proceeding.





# CHAPTER 3

Strategy  
& Guideline

# Filing trademarks in China: key steps for foreign applicants

*Authored by Yunquan Li, Yuanyuan Song and Junyi He, first published by IAM*

Foreign entities or individuals seeking to register their trademarks in China have two possible pathways, both of which have pros and cons. The first option is to file directly with the China National Intellectual Property Administration (CNIPA), which is the national route. The second option is the international route – filing the application with the World Intellectual Property Organisation (WIPO), based on the Madrid Agreement and Madrid Protocol. This checklist sets out key factors to consider when choosing between the two routes.

## Applicant eligibility

### National route

While any foreign entity or individual can file a trademark application in China, the applicant's name and address must be translated into Chinese to do so.

## International route

Applicants filing via the international route should have a basic application or registration in a signatory state or organisation to the Madrid Protocol. The applicant should:

- be a national of the signatory state;
- be domiciled in the signatory state; or
- have a genuine and effective industrial or business premises established in the signatory state or member state of a signatory organisation.

## Document recipient

### National route

Foreign applicants should entrust a qualified Chinese agent to file their national trademark application, to whom all official documents should be addressed.

### International route

The applicant – or its agent – can file the application directly with the local IP office or WIPO, but it cannot appoint a Chinese agent specifically for this purpose. WIPO will forward most official documents to the applicant or its local agent. The CNIPA will mail documents (eg, a notice

of non-use cancellation or notice of an invalidation action against the registration) directly to the applicant or local agent, both of whom should respond before the specified deadlines.

## Application and registration date

### National route

There will be an application date, a publication period for opposition and then a registration date – should no opposition be raised or dismissed by the CNIPA.

### International route

For the international path, the application date is the registration date. The application will proceed to registration if it meets no refusal from the CNIPA or third-party opposition.

## Goods and services

### National route

In principle, goods and services items should be consistent with the Nice Classification. The examiner will exercise their discretion to ascertain whether a non-standard item is acceptable, and if it is not, the CNIPA will issue a notice requesting the applicant to make amendments. If they do not receive a response by the deadline or the newly amended item is still

deemed unacceptable, the whole application will be refused.

In absence of a notice for amendment, the applicant may only delete a limited number of goods or services, without change or even limitation of the goods/services.

## International route

Prior to examination, the CNIPA will translate the goods or services into Chinese but the scope of protection should be subject to the goods and services recorded with WIPO.

The CNIPA displays more flexibility when accepting non-standard goods or services from Madrid applications. It rarely challenges their descriptions unless they are categorically unacceptable in China – for example, retail and wholesale services, gambling services or virtual currency. In cases where the applicant is (or will be) offering goods or services that are not listed in the Nice Classification, it is recommended to file a Madrid application.

Moreover, applicants can rephrase the description of its goods or services so long as the rephrasing does not exceed the scope of its original items. This comes in handy when applicants are negotiating coexistence agreements or wish to avoid conflict with prior trademarks.

In practice, some applicants hoping to broaden the protection scope

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of their trademarks resort to labelling the goods with headings from the Nice Classification (eg, “apparel, footwear and hats” in Class 25). Given that the CNIPA will relegate the goods into specific subclasses, applicants are advised to avoid using class headings in this manner.

If the goods or services are not acceptable in China, the CNIPA will issue a refusal notice but the applicant can choose to file a review of this refusal.

## Examination period

Examination periods for national and international applications are roughly the same. Under current practice, it takes about four months for the CNIPA to complete the formal process.

### National route

A national application that passes examination is published for opposition for three months. In the absence of opposition, it proceeds to registration. A smooth, non-turbulent application process allows the applicant to obtain the registration certificate within 12 months from filing.

### International route

The applicant may apply for issuance of a registration certification upon

expiration of the refusal period, namely 12 or 18 months from the date of notification by WIPO to the relevant signatory parties.

## **Filing requirements for non-traditional trademarks**

### **National route**

Applicants should submit all required documents together with the application form in the first filing.

### **International route**

Applicants filing for an application of 3D, colour combination, sound, collective or certification trademarks should submit the necessary documents (eg, trademark drawings, representation, rules for use and management) to the CNIPA within three months of filing. Failure to submit the necessary documents within this time period will result in the refusal of the application.

## **Possible actions in partial refusal**

### **National route**

The applicant first needs to file a divisional application if it wants approved goods to proceed to publication and registration while it files

an appeal challenging the partial refusal decision.

### **International route**

When a Madrid application encounters partial refusal, the approved goods or services will proceed to registration, regardless of whether a review of refusal is filed by the applicant.

## **Opposition procedure**

### **National route**

If a national application passes the preliminary examination, it will be published. If no opposition is filed within three months of the publication date, the application will proceed to registration.

### **International route**

A Madrid application, prior to substantive examination from the CNIPA, goes through a three-month opposition period, starting from the first day of the month following the trademark's publication in the international Trademark Gazette. In the case of opposition, the CNIPA will notify the applicant through WIPO by issuing a provisional refusal notice – the applicant may respond to the CNIPA directly. As there is no separate publication for opposition in China's Trademark Gazette,

some applicants opt to file via the international route to lower the risk of opposition.

## Registration Certificate

### National route

The CNIPA issues electronic registration certificates for national registrations.

### International route

The international registration certificate is not legally binding in China. The applicant needs to file an application for registration certification with the CNIPA upon expiration of the refusal period, 12 or 18 months from the notification date by WIPO to the relevant signatory parties.

## Post-registration procedures

### National route

Applications for renewal, change of registrant name or address, assignment, deletion of goods and cancellation against a national registration should be filed with the CNIPA directly. Application for renewal of a national registration may be filed within one year prior to the expiry date of the registration period.

## International route

Applications for renewal, change of registrant name or address, assignment, limitation of goods and so forth of a Madrid registration should be filed with WIPO, but the examination will be conducted by the CNIPA.

For renewals, WIPO usually notifies the CNIPA of the application as it nears the expiration of the registration period – the registrant is unable to obtain a renewal certificate prior to expiration, which can create a time gap and pose a hindrance to the registrant's enforcement actions in China.

## Information accessibility

### National route

Applicants can access the CNIPA's online database to stay abreast of the application's status.

### International route

The information available in the CNIPA's online database is far less thorough and accurate, and WIPO's online database does not have all the information for trademarks in China.

## Stability of registration

### International route

If the basic mark (upon which a Madrid application was filed) is cancelled or invalidated within five years of the application date, it will affect the registration's stability in the relevant countries. The applicant can apply to turn the Madrid registration into a national application, within three months of the registration's cancellation.

# Protection of product shape in China: nonconventional approaches for nontraditional marks

*Authored by Mingming Yang,  
first published by INTA*

Protecting the shape of a product or its packaging can be a challenging task in China despite the various legal routes open to brand owners. Rights owners have the option of Patent Law or Copyright Law to patent the shape of a product or its packaging as a design or utility model, or, if it qualifies, as a work of art. They can also turn to the Trademark Law or the Anti-Unfair Competition Law (AUCL), to register the shape as a 3D trademark or have it recognized as a commodity decoration or as packaging with certain influence.

This article uses case law to analyze the latter routes.

## Registering a Product Shape as a 3D Trademark

A product shape that a rights owner registers as a 3D trademark

in China can enjoy strong and, if in use, perpetual protection. However, a 3D trademark registration, though the most powerful approach to protecting a product shape, has become hard to obtain in China.

The registration of a product shape as a 3D trademark used to be easier a few years ago when a shape with a unique design was still deemed inherently distinctive and registrable, like Ferrero's chocolate shape (2007) and the 3D bottle of Carpathian Springs S.A. (2014). Van Cleef & Arpels' four-leaf clover 3D marks also passed the Trademark Office's examination and were registered in January 2016 without encountering office actions, that is, without the need to provide any evidence of use.

Reg. No.: G783985 Registrant: FERRERO S.P.A.	Reg. No.: 10589962 Registrant: CARPATHIAN SPRINGS S.A.
	
Reg. No.: 15736969 Date of application: Nov 19, 2014 Date of registration: Jan 6, 2016	Reg. No.: 15736970 Date of application: Nov 19, 2014 Date of registration: Jan 6, 2016
	

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The evolving examination and judicial practice subsequently turned against 3D trademark registrants by quickly reaching a consensus that product shapes are devoid of inherent distinctiveness regardless of how unique and special their design. The Supreme Court clarifies this in the *“Provisions on Several Issues Concerning the Hearing of Administrative Cases Involving the Granting and Affirmation of Trademark Rights”* (2017) that:

*Where an application is filed to register the shape or partial shape of a product as a 3d trademark, if under most circumstances, the relevant public is not likely to take such sign as a source identifier of the goods to which it is attached, such sign should be found non-distinctive as a trademark. The fact that a three-dimensional sign has been originally created by or firstly used by the applicant shall not necessarily be admitted as proof of distinctiveness of such sign.*

This has opened the floodgates to third-party invalidation actions challenging the inherent distinctiveness of those 3D marks registered for being intrinsically distinctive. To maintain the registrations of the 3D trademarks and to defend an invalidation action, the registrants need to prove that the shape has acquired secondary meaning through use.

"A 3D trademark registration, though the most powerful approach to protecting a product shape, has become hard to obtain in China."

The Trademark Office and the judiciary have set a high evidentiary threshold. On top of its nationwide recognition and awareness, brand owners need to substantiate that the shape may function as a standalone trademark, independent of other signs attached to a product or products.

Coca-Cola suffered setbacks (*Gao Xing Zhong Zi No. 348 (2011)*) when trying to prove to the Beijing High Court that the relevant public could perceive its FANTA bottle shape as a source identifier despite submitting extensive evidence of fame, as the court found that the majority of the evidence depicted the combined use of the 3D sign and the FANTA word mark.

In the *Van Cleef & Arpels four-leaf clover* case, the Beijing High Court recognized that Van Cleef & Arpels had invested heavily in advertising, but that its evidence was insufficient to prove the acquired distinctiveness of the four-leaf clover shape. The case (*Jing Xing Zhong No. 4528 (2020)*) ended with the invalidation of Van Cleef & Arpels' 3D trademark registration in December 2020.

## AUCL Remedy

In contrast to the high threshold for acquiring a 3D trademark registration, the remedial approach the AUCL provides seems to be a

more realistic option in protecting a product's shape.

In fact, after losing its 3D mark registrations, Van Cleef & Arpels prevailed in a civil case (Jing 0105 Min Chu No. 21177 (2019)), as reported in February 2021, where the Chaoyang District Court of Beijing ruled that prior to the company's large-scale use, no evidence suggested that the jewelry in the four-leaf clover shape had become a common shape in the industry. However, because the shape of Van Cleef & Arpels' jewelry could function as an identifier to distinguish the source of goods, the four-leaf clover shape was eligible to be protected as product decoration under the AUCL.

China's Supreme People's Court elucidated in the *M&G Pen* case (Min Ti Zi No. 16 (2010)) that the shape of a product *per se* may be eligible for protection under the AUCL provided that (1) it has obvious features that distinguish it from ordinary designs; and (2) through its use in the market, the relevant public has already come to associate it with the producer or supplier of the product, that is, the shape has acquired a secondary meaning through use.

*"At first glance, the Trademark Law and the AUCL seem to be consistent about the prerequisite to invoke protection over a product shape. In reality, the situation is far more nuanced."*

By obtaining a trademark registration in China, the brand owner acquires an absolute right and exclusivity to the mark, allowing the

owner to initiate administrative and/or judicial proceedings, to request cessation, and to claim damages. For this reason, where the registrability of a mark hinges on acquired distinctiveness, the authorities shall make the assessment based on the perception of the relevant public in the entire country, while taking into account whether competitors have used the same or similar sign, so as to balance the interests of the market players.

In contrast, the AUCL protects the relative rights of brand owners by regulating competitive behaviors, encouraging fair competition, and promoting the good faith principle. In this context, the bar for assessing acquired distinctiveness is lowered so that the perception of the relevant public is ascertained on a regional rather than a national level.

## Using 2D Trademarks to Protect 3D Product Shapes

On September 8, 2021, in response to a Request for Instructions from the Sichuan Provincial Intellectual Property Office concerning whether the act of selling goods with a shape identical to another's device mark registered on similar goods constitutes trademark infringement (Chuan Zhi Han [2020] No. 16), the China National Intellectual Property Administration (CNIPA) issued a written reply that the shape could be protected based on the No. 768790 device mark owned by Chanel and the No. 15395177 device mark owned by Van Cleef & Arpels SA, both of which had gained high reputation and distinctiveness.

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Reg. No.: 768790 owned by Chanel	Reg. No.: 15395177 owned by Van Cleef & Arpels SA
	

In its response, the CNIPA granted de facto protection to the product shapes of Chanel and Van Cleef & Arpels based on the registration of device trademarks. The CNIPA found there to be trademark infringement based on Article 76 of the Implementing Regulations of the Trademark Law, which reads:

*the use of a sign identical with or similar to other's registered trademark as product name or decoration on the same or similar goods, which misleads the public, constitutes infringement upon the exclusive right to use a registered trademark as stipulated in Article 57 (2) of the Trademark Law.*

The finding shows that the CNIPA grants protection according to the device mark rather than the shape *per se*.

Still, it is quite unusual to use a 2D trademark to protect a 3D product shape.

"[B]rand owners may find it difficult to prove that product shape could be viewed as a standalone source identifier when a word mark and/or device mark is simultaneously used on the product."

First, it would be easier to protect the product shape of jewelry, toys, perfume, wine, and so forth because the 2D device mark of such goods and the product shape usually share an identical design. Other products are not so fortunate. In the *Fluke* case (Er Zhong Min Chu Zi No. 13919 (2013)), the Beijing No. 2 Intermediate Court found that the accused shape would be identified as product appearance rather than a trademark; thus, it was found to be neither identical nor similar to the device mark.



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Second, the shape at issue needs to be viewed as a kind of “product decoration,” as stipulated in Article 76 of the Implementing Regulations of the Trademark Law. Nevertheless, even if the Supreme Court has affirmed that a shape may be protected as product decoration, lower courts may have different views. In the *Chanel v. Ye Mengzong* case (Yue 73 Min Zhong No. 1530 (2018)), the court of appeal held that “decoration” and “shape” are two different concepts and that there is no “essential” correlation between the protection of product shape and product decoration.

Last, a device mark needs to acquire a certain market reputation so that the public can view the shape as a source identifier of the goods. In the *Michelin v. Ningbo Jiaqi Crafts* case (Yue 73 Min Zhong No. 1013 (2017)), the second instance court concluded that the accused 3D tire man toy figure would not be confused with Michelin’s 2D device mark, while in the retrial (Yue Min Zai No. 44 (2019)), the Guangdong High Court ruled that, because of the high reputation and the awareness that the Michelin’s tire man representation acquired through extensive use and advertising, the relevant public would notice that the accused toy incorporated the distinctive features of the Michelin’s tire man device, thus would create confusion about the source of the goods.

## Alternative Strategy

Acquiring a 3D mark registration is undoubtedly the most powerful approach to protecting a product shape, but in view of how difficult

it is to do so, rights holders should explore the possibility of acquiring protection under the AUCL. On the one hand, a competitor's use of a similar shape, which may be a potential obstacle to a 3D mark registration, should be stopped as soon as possible. On the other hand, it would be easier to ascertain the acquired distinctiveness in an anti-unfair competition proceeding, and a favorable ruling may be conducive to facilitating a 3D mark registration.

Furthermore, brand owners may find it difficult to prove that product shape could be viewed as a standalone source identifier when a word mark and/or device mark is simultaneously used on the product. In addition to conducting a market survey on the public awareness of the shape, a brand owner may underline the unique features of the product shape (and by which consumers will also identify their products).

Finally, brand owners should register a device mark embodying the product shape as a 2D trademark as a backup defense mechanism.

# How to protect taglines in China

*Authored by  
Yongming Fan, first published by IAM*

A tagline is a catchy quip, especially as used in advertising, which creates a memorable phrase that helps customers to identify a brand and its marketing message. Slogans and taglines tend to be used interchangeably, but their purposes may be far more nuanced. Slogans that carry a brand's value and promises about the company's growth and evolution can last longer than taglines that leverage the power of succinctness. Naturally, businesses would want to protect their innovative creations and prohibit others from using their taglines. In China, a tagline may be protected as a trademark, copyrighted literary work or a business sign (as provided in the Anti-Unfair Competition Law).

## Trademark your taglines

China follows the first-to-file principle with regard to trademark registration. It is therefore advisable to register taglines as trademarks as early as possible.

When assessing the registrability of a tagline as trademark, brand owners should refer to the new *"Guidelines for Trademark Examination*

*and Adjudication*" issued by the China National Intellectual Property Administration (CNIPA) on 16 November 2021, and the "*Guidelines for the Adjudication of Cases Involving Granting and Affirmation of Trademark Right*" promulgated by the Beijing High Court (which has jurisdiction over trademark administrative appeals) in 2019.

Section 2.3, Chapter 4 of the CNIPA Guidelines enumerated the circumstances in which a sign can be deemed devoid of distinctiveness:

*The usual scenarios where a sign could be deemed as one of 'other signs that are devoid of distinctive features' mainly include the following: ... (2) those phrases or sentences indicating the characteristics of goods or services, or ordinary advertising or promotional terms. In general, the said sentences or phrases are not likely to be perceived by the relevant consumers as a source identifier of goods or services, thus is devoid of the distinctive features of a trademark.*

Article 9.6 of the Beijing High Court Guidelines explicitly provide that: *"If a contentious trademark is merely composed of advertising or promotional terms, it generally falls under the circumstances as provided in Article 11.1.3 (signs that are otherwise devoid of distinctiveness shall not be registered as trademarks) of the Trademark Law."*

In plain English, advertising texts (sentences and phrases) merely describing features of goods or services are deemed inherently

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indistinctive and unregisterable. Therefore, slogans that are not intrinsically distinctive, but have functioned as a source identifier of goods or services, would be denied trademark registration in China. For instance, the trademark applications for HOTELS THAT DEFINE THE DESTINATION (designating hotel service) and LET'S PUT SMART TO WORK (designating education, training and computer programming services) were rejected by the CNIPA and the courts on the grounds of lack of distinctiveness.

The phrasing “advertising or promotional terms” is actually quite ambiguous, given that both sets of guidelines fail to provide an explicit definition or interpretation. Brand owners seeking to register a tagline need to substantiate its registrability by proving its inherent distinctiveness, or acquired secondary meaning through use. Successful registration cases include Nike’s tagline “Just do it” and the Chinese equivalents of McDonald’s tagline “I’m lovin’ it” and Tiffany’s “Believe in love”.

## The copyright route

To invoke copyright in China, the taglines must have a certain degree of originality and creativity, the assessment of which is subjective.

There are taglines recognised as original and granted protection by the courts, like the Chinese equivalent of the paint brand Nippon’s tagline “Nippon paints make everywhere shinning” and the medical

cosmetology brand Yestar's tagline "Go to Yestar, you are the star". Taglines that lack sufficient originality or consist of common expressions are less likely to be deemed copyrightable in practice. For example, the courts found that the Chinese taglines of "Yuxing furniture is the home in my heart", "wine for the state banquet", "satisfy all office needs" and "share the storm, share the sunshine" merely combined general expressions, words and phrases.

According to China's Copyright Law, authors who are from China or member countries of the Berne Convention automatically acquire copyright to copyrightable work as soon as it comes into being. Copyright owners may record their works with the China Copyright Protection Center and obtain a Copyright Recordal Certificate, which could serve as *prima facie* evidence of ownership. The recordal process is not a prerequisite to invoke copyright protection. Should the copyright owner decide to bring an infringement action, they will need a lot more evidence to corroborate their ownership of the copyrighted tagline. Evidence for the creation and publication of taglines – including, but not limited to, email correspondence, contract or transaction records – substantiating the identity of the creator and the dates of creation and publication of the copyrighted tagline should be furnished.

## The Anti-Unfair Competition Law route

Where a tagline fails both the distinctiveness and creativity test, and thus cannot be registered as a trademark or protected as a copyrighted

literary work, rights holders can still resort to the AUCL of China, on the premise that the tagline could be deemed a business sign with a certain degree of influence that enables consumers to associate the sign with its owner.

In 2019, Tian Yan Cha (TYC), a Chinese business intelligence search service provider, lodged an unfair competition suit against its major rival Qi Cha Cha (QCC) for the latter's misuse of its famous tagline "searching for companies, searching for bosses, searching for [business] relations". QCC argued that the tagline is a simple description of both companies' services and should not be exclusively used by TYC. Siding with the plaintiff, the court of first instance reasoned that the tagline should be protected as a business sign with market influence under the Anti-Unfair Competition Law, mainly because it was originally created by TYC and has acquired secondary meaning after extensive use.

## Comment

The threshold to register taglines as trademarks may be high in China, but it is definitely worth the trouble because the country's trademark regime offers exclusive, nationwide and uninterrupted protection over taglines, providing that the registration is not invalidated or cancelled due to genericide or non-use. In contrast, China's copyright regime provides protection over a limited timespan (usually the lifetime of the author and 50 years after their death), while the Anti-Unfair Competition Law, which promotes fair competition at the core of its legislative spirit, offers non-exclusive protection to rights holders.

# Limitation of goods or services for trademark registration in China

*Authored by Yunquan  
Li and Lijia Wen, first  
published by IAM*

In trademark prosecution practice, it is not unusual that the applicant/registrant limits or even abandons certain goods or services related to a trademark in order to obtain registration or avoid creating confusion. Jurisdictions like the United States and European Union allow this, provided that the alteration does not broaden the scope of protection of the trademark. Things are less straightforward against the backdrop of the current examination practice in China.

There are two routes to obtaining a Chinese trademark registration: filing a national application with the China National Intellectual Property Administration (CNIPA) or filing for international registration (IR) through the Madrid Protocol, designating China. The two routes are governed by different sets of rules.

With regards to the examination of goods and services of a national application, the CNIPA primarily relies on the Classification of Similar Goods/Services (Classification Manual), which is the Chinese version of

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Nice Classification of Goods and Services (Nice Classification). The Classification Manual divides goods/services into subclasses so that those falling in the same subclass would be deemed similar in principle, unless otherwise specified. Alongside the standard items listed in the Classification Manual, the CNIPA also accepts goods/services included in the TM5 ID List and those listed in a quarterly updated database of acceptable goods/services. Despite the CNIPA's effort to regularly update the acceptable entries, it is still an onerous task to keep the accredited goods/services up to date. For instance, the latest Classification Manual (2022) does not include any virtual goods or services. It is quite recent that the CNIPA has started accepting software platforms, blockchain-based non-fungible tokens (NFT), and the management, issuances and transactions associated with NFTs.

Items outside the aforesaid source are often deemed non-standard. In theory, applicants may file for non-standard goods or services, as long as the expression is clear and specific. Nevertheless, the fact that non-standard goods and services are more prone to be challenged substantiates that the CNIPA is reluctant to accept them, given that clarification of such would arguably prolong the examination process and create backlog.

In the context of the national route, brand owners may only abandon goods/services enumerated in the list of specifications after the first filing. The 2021 version of the Trademark Examination Manual (Examination Manual) reiterates that the specifications that applicants

wish to delete shall be the same as those stated in the first application, and the applicants shall not alter or limit the original specifications. Limitation of the specifications even within the original scope is thus impossible. Deleting certain goods/services in the examination process is a common tactic to overcome obstacles where a prior mark is cited. If the trademark has already been registered and is accused of infringement, brand owners may opt to revoke the registration on all or partial goods/services.

In the context of the IR route, the CNIPA employs a set of much more flexible examination criteria. Examiners translating specifications into Chinese and categorising them into corresponding subclasses are more open to non-standard descriptions. In light of the gaps between the Nice Classification and the Classification Manual and the nuances during the translation process, examiners are more willing to exercise discretion in assessing the acceptability of non-standard descriptions, which allows brand owners more leeway in selecting desired goods and services.

Regarding IRs, the CNIPA allows applicants to limit the list of goods and services prior to or after registration. Brand owners may delete or keep specific designations and even rephrase specifications by using positive limitations or exclusions, provided such alterations do not extend the original scope. The Examination Manual also warns that where the new list of goods/services is not aligned with the Chinese classification, it could still be challenged. In practice, if the limitation broadens the original scope, it will be rejected. If the updated specifications are not

accepted, the CNIPA will declare that such limitation is invalid in mainland China, and all ensuing examination will be based on the original specifications. If registrants seek to change the goods/services of an IR, they may opt to renounce trademark rights on all designated goods/services in China or cancel the mark on partial or all goods/services in all designated signatories permanently from the International Register. Although the Examination Manual affirms that partial cancellation allows the registrants to delete some items, rephrase the specification and limit goods/services in the examination procedure, it could run the risk of expanding the original protection, thus leading to non-compliance with the CNIPA rules.

In general, the IR route offers more flexibility and allows brand owners to identify specifications in a more nuanced approach. It would be conducive to limiting goods and services meant for genuine commercial use and to alleviate the registrants' burden of proof in adducing use evidence in future non-use cancellation proceedings.

The IR route could lose its edge in the following circumstances.

### **Where clarification fails to remove the obstacle**

Since the CNIPA relies heavily on the Classification Manual and the subclass regime, where limitations by way of clarifying the specifications fails to remove the obstacles and the new goods or services still fall under the same subclass, the applicants could only abandon all goods

or services in the subclass(es) identical to those of the cited mark. Abandonment is available to both national and international routes.

## Where rephrasing may extend the original scope – the example of retail services

Unlike most jurisdictions that allow trademark registrations on retail services, the CNIPA limits wholesale and retail services to medicine, veterinary medicine, sanitary preparations and medical supplies in Subclass 3509 and rejects all other wholesale and retail services. In practice, “sales promotion for others” (Subclass 3503) or “presentation of goods on communication media, for retail purposes” (Subclass 3502) are often used, out of expediency, by brand owners as the closest equivalent of wholesale and retail services. However, such alteration will be rejected by the CNIPA on the ground that it expands the original protection. The rationale behind the rejection is that “promotion” has a broader ambit than “retail”, and “presentation of goods on communication media” is different from “retail services”. Therefore, brand owners could only use the standard descriptions in Subclass 3509 or highly similar specifications for retail services.

## Where illegal goods and services are involved

Goods and services that are deemed illegal by the Chinese authority are unacceptable in trademark registration. In general, the pornography, gambling and marijuana industries are illegal in China, and the goods or

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services associated with them are banned by the CNIPA. It is therefore impossible to register a trademark on these goods/services through either route.

The CNIPA also rejects goods/services related to cryptocurrency and virtual currency. In a recent IR refusal, the CNIPA partially rejected an IR mark on the goods “computer software for managing cryptocurrency and NFT transactions using blockchain technology; downloadable computer programs (software) for virtual currency; downloadable software for virtual currency” (Class 9) and the services “virtual currency trading services; virtual currency brokerage; virtual currency price information providing services; financial transaction services of cryptocurrency through internet platform” (Class 36), while giving a greenlight to items directly related to cryptocurrency trading including “downloadable electronic wallet; software for the exchange of electronic money” (Subclass 0901), software for trading blockchain-based goods including “software for mobile devices for issuing and trading digital certificates for ownership and license of blockchain-based digital content; software for mobile devices for issuance and transaction of blockchain-based NFT” (Subclass 0901), and electronic money paying services including “electronic wallet payment services; digital certificates brokerage for ownership and license of online blockchain-based tangible and intangible goods” (Subclass 3602). But in the Classification Manual, “downloadable electronic wallet” and “electronic wallet payment services” are standard descriptions that could be broadly interpreted to cover virtual currency and cryptocurrency. It remains unclear how the

CNIPA draws the boundary between the goods/services related to virtual currency.

## Comment

Brand owners are advised to weigh up their business needs and trademark portfolios before making a filing decision. Where standard descriptions are both sufficient and explicit, it would be advisable to file national applications with the CNIPA. Conversely, brand owners are advised to file an IR and designate China, in case of the following:

- brand owners want to secure an early filing date but still hesitate over the specifications; or
- the designated goods/services are non-standard descriptions.

Some brand owners seeking to overcome registration obstacles in China may explore the possibility of reaching an agreement with the applicant/registrant of the prior mark on limiting or excluding the commercial use of a mark in certain areas, rather than making any changes to the specifications. Theoretically, such agreement has no bearing on the CNIPA's examination outcome.

Brand owners are therefore particularly recommended to file an additional IR application (designating China) with the updated descriptions in case they are obliged to specify the goods/services during the national filing process. Once the IR passes preliminary examination,

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brand owners may choose to cancel the national trademark so as to secure the registration on the intended items and block similar marks filed after the national filing.

# Changing approach to letters of consent in China

*Authored by Yongjian Lei,  
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Chinese courts have always faced a dilemma between the private autonomy of will and public interest in deciding whether they should accept the coexistence of two similar, or perhaps even identical trademarks in circumstances in which both trademark owners agree to coexist. This is of particular relevance where trademark applicants seek to overcome a citation of a prior trademark by filing letters of consent with the aim of having their application accepted for publication.

Though the Beijing High People's Court (BHPC) in its Guidelines for the Trial of Trademark Right Granting and Verification Cases in 2019 set out some general principles when it formally addressed the issue of coexistence, many subjective and technical matters that impact the acceptability of the coexistence agreement and/or the letter of consent in trademark prosecution proceedings make coexistence a complicated matter.

Two cases involving trademark coexistence in the Supreme People's Court (SPC), Beijing

High People's Court (BHPC), and Beijing Intellectual Property Court (BIPC), respectively, illustrate some of the most pertinent factors and developments:

- *Google LLC (Google) v. Trademark Review and Adjudication Board (TRAB) (Nexus case)*, [(2016) SPC Retrial No. 102];
- *Orbital Systems AB (OS) v. CNIPA (Orbital case)*, [(2020) Jing 73 Administrative Preliminary No.1481].

In the *Nexus* case, after carefully looking into the visual effects, distinguishing the goods, and commenting on the role of the letter of consent from the owner of the prior mark, the SPC ruled that word trademarks composed of identical letters may coexist.

In the *Orbital* case, the BIPC challenged the validity of the letter of consent by questioning the power of the signatory on behalf of the prior corporate trademark registrant.

### The *Nexus* Case

Google filed an application for the above NEXUS trademark for hand-held computers and portable computers in Class 9 on November 7, 2012. However, the China Trademark Office (CTMO) rejected it due to the cited mark NEXUS registered for computers for bicycles in Class 9 owned by Shimano Inc. The Trademark Review and Adjudication Board (TRAB), the Beijing First Intermediate Court (BFIC), and the BHPC successively

affirmed the decision.

Mark No. 11709161 Preliminarily Refused	Cited Mark No. 1465863
	<b>NEXUS</b>
Filed by Google	Owned by Shimano Inc.

Although Google argued that it had a trademark coexistence agreement with Shimano concerning these two marks, underlined by the letter of consent that it also submitted, the courts did not consider this agreement. The courts held that the two marks were too close to rule out the possibility of consumers' confusion. The BHPC further commented that: "The legislative intent of the Trademark Law was to protect the interest of trademark holders on the one hand and to protect the interest of consumers on the other. Therefore, the coexistence agreement should not be considered."

Google applied for a retrial before the SPC, which reversed the TRAB decision together with the judgments of BFIC and BHPC and approved the registration of Google's NEXUS trademark. The SPC ruling was based on the following elements:

- The visual effects of both marks were different although they were composed of identical letters.

- The “computers for bicycles” goods that were designated by the cited mark were close to the sport of cycling while the “hand-held computers and portable computers” of Google’s mark belonged to consumer electronics.
- It was inappropriate to disregard the letter of consent from the owner of the cited mark as well as its right to dispose of its own interest when there was no objective evidence to prove that coexistence would damage the consumer interest.

The *Nexus* case was an extremely rare example of two marks with identical letters being allowed to coexist on the trademark registry. The SPC adjudicated on it at the end of 2016 and one could consider it a pro-private-right case. The SPC considered Google and Shimano’s good reputations in their respective fields, in concluding that the registration of Google’s trademark would not harm the national or social interest. However, its assessment concerning the similarity of the goods was unpredictable. For instance, in another SPC decision rejecting Nestle’s request for a retrial in a case involving a trademark coexistence concerning the trademark ECLIPSE in 2019, the SPC confirmed that “electric apparatus for making coffee and tea” was confusingly similar to “gas burners.”

"Although Google argued that it had a trademark coexistence agreement with Shimano concerning these two marks, the courts of first and second instance did not consider this agreement."

After the latest reform of the trial-level system, which took effect from October 1, 2021, the SPC has basically closed the door on retrials of cases with no national significance. The *Nexus* case shows that the TRAB, BIPC, and BHPC are much more unlikely to accept trademark coexistence concerning marks of identical letters, so one can imagine that under this reform, it will become even more difficult, if not impossible, to get such a trademark coexistence agreement/letter of consent accepted.

## **The *Orbital* Case**

The authorities rejected the trademark application filed by OS for ORBITAL SYSTEMS in Class 11 due to the prior registration of ORBITAL owned by MAI. The BIPC also analyzed the distinctiveness issue, ruling that the more distinctive part in the refused mark should be ORBITAL. Therefore, the two marks would confuse the relevant public.

Mark IR No. 1423623 Preliminarily Refused	Cited Mark No. 12545479
<b>ORBITAL SYSTEMS</b>	<b>ORBITAL</b>
Filed by Orbital Systems AB (OS)	Owned by Mag Aerospace Industries, LLC. (MAI)

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What's even more remarkable is that the BIPC specifically challenged the power of the signatory who issued a letter of consent agreeing with the registration of the rejected mark. The BIPC stated that MAI had not submitted any evidence to prove the signatory was authorized to sign the letter of consent on its behalf. Therefore, the validity of the letter could not be confirmed.

*"One can imagine that after the latest reform of the trial-level system, it will become even more difficult, if not impossible, to get a trademark coexistence agreement accepted."*

Courts are becoming more demanding about the formality of the coexistence documentation. The letter of consent should be notarized and legalized; additional materials, notarized and legalized as well, should be filed simultaneously to prove the capacity and power of the signatories who appear on the coexistence documentation.

## Key Takeaways

Both the CNIPA and the courts have become more cautious about accepting trademark coexistence agreements or letters of consent. Although the Nexus case showcased the possibility of approving the coexistence of two pretty much identical marks, no similar cases have been seen in recent years.

The following elements in coexistence agreements or letters of consent will improve the chances of Chinese courts accepting them:

- Clearly identifying the information of the two parties including their names and addresses, and making sure such information is consistent with that recorded before the CNIPA;
- Clearly identifying the information of the two parties' trademarks that are to coexist, including but not limited to the trademark numbers, classes, and goods that are acceptable in the People's Republic of China (PRC);
- Specifying PRC as one of the applicable jurisdictions;
- Not confining the coexistence with time limits;
- Not setting up conditions for the coexistence to take effect;
- Emphasizing both parties' full awareness of the legal consequences of the coexistence and full willingness to take all necessary actions to prevent confusion;
- Having the coexistence agreements and/or letters of consent executed by authorized persons and preparing documents to prove such authorization; and
- Notarizing and legalizing the coexistence agreements and/or letters of consent, the authorization documents, and documents proving the good standing of the prior trademark owner.

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Last but not least, the party seeking the letter of consent would be wise to get consent to both the registration and use of the trademark in dispute from the prior trademark owner. By doing so, even if the registration is not finally secured for various reasons, this would eliminate the risk imposed by the prior marks forming the basis of trademark infringement proceedings.

# The consequences of (and uncertainty over) trademark invalidations in China

*Authored by Paul Ranjard,  
first published by WTR*

According to Article 45 of the Chinese Trademark Law, a trademark owner who discovers the existence of a mark registered subsequently to its own and considers it identical or similar (and covering identical or similar goods) may request its invalidation at the Trademark Revision and Adjudication Department (TRAD). However, it is not possible to request the prohibition of its use at that time.

The Supreme Court, in 2008, established the principle that the owner of a registered trademark must, before taking legal action against another registered mark, request that said right be invalidated through an administrative decision. Since the decision of the TRAD can be appealed to the Beijing IP Court, which is subject to review by the Beijing High Court and, thereafter, to a possible review by the Supreme Court, it can take significant time for the invalidation of a disputed

trademark to become effective and for its use to be prohibited.

In 2013, the Trademark Law underwent significant changes. Before the revision, it was possible to continue an opposition procedure (administrative appeal, and then an appeal to the courts) while initiating a legal action for infringement if the contested trademark was being used. Following the revision, when a trademark application is opposed and the opposition is rejected, it is no longer possible to appeal against this rejection. The opposed trademark is immediately registered.

Now, then, it is necessary to request the invalidation of the trademark and wait for the decision to be final, before being allowed to start a civil infringement action.

### **Is it possible to obtain compensation for the damage caused prior to invalidation?**

This system raised a number of concerns. One of the questions was whether the owner of the earlier trademark can obtain compensation for the damage caused by the use of the mark before its invalidation. After all, administrative invalidation proceedings can take a long time and, during that period, the damage caused by the use of the (eventually) invalidated trademark may be considerable.

Article 47 of the Trademark Law, introduced in the 2013 revision,

describes some consequences of trademark invalidation, but does not answer that question.

The first paragraph of Article 47 states: "*When a trademark is invalidated under Articles 44 and 45 of this Law, the Trademark Office shall make a public announcement and the exclusive right to use the trademark shall be deemed never to have existed from the beginning.*"

One could therefore deduce that the use of the trademark, from the beginning, constitutes an infringement and must be treated as such. The second paragraph of Article 47, however, introduces a limit to the retroactivity: "*The invalidation of a registered trademark shall not have retroactive effect on judgments... rendered by civil or administrative courts in infringement cases, which are final and executed, nor on assignment or licensing agreements, which were concluded and executed prior to the invalidation.*"

Additionally, while the law states that "*where the owner of the trademark causes damage to others in bad faith, he shall make compensation*", Article 47 ends with another clarification: "*If the non-return of damages related to an infringement, or of the royalties mentioned in the preceding paragraph, is contrary to equity, the sums must be reimbursed in whole or in part*".

It appears that the legislator wanted to establish the principle of retroactivity of the invalidation of the trademark (contrary to revocation,

which operates only for the future) while preserving the stability of legal acts (such as judgments and contracts) carried out in the name of this trademark before the decision of invalidation (i.e, while the trademark was valid).

Thus, Article 47 does not answer our initial question. It is not a question of restitution of damages obtained against an infringer or of royalties received from a licensee. It is about repairing the damage caused by the use of the invalidated mark. Article 47 is silent in this respect: it refers to the possible restitution of sums already paid, but not to the payment of sums that may be due in the future.

## **The relationship between compensation and bad faith**

In the absence of a statutory provision, how have the courts answered this question?

Some did not hesitate to resort to Article 47 and to interpret the sentence "when the owner of the trademark causes, in bad faith, damage to another person, he must make reparation" as also referring to the owner of the invalidated trademark, taken himself in the situation of infringer. The solution of the dispute depended, then, on the good or bad faith of the trademark owner during the period preceding the invalidation decision.

Thus, in the absence of proof of bad faith, the judges considered that infringement was not constituted (eg, in *Jiangsu SUMEC Group v Fuan City Senwei Electromechanical* [Fujian High Court (30 December 2016)] and *Weifang Taihong Tractor v Luoyang Taihong Agricultural Machinery* [Xinjiang High Court (29 March 2019)].

Such an interpretation is difficult to reconcile with the sections of the Trademark Law that establish a link between damages and bad faith. In general, it can be said that the requirement of bad faith for the award of damages only applies to very specific circumstances.

Article 36.2, for example, refers to the period between the commencement of protection of a registered trademark (ie, the end of the third month after its preliminary approval by the trademark office) and, in the case of opposition, the date on which the opposition is finally rejected. It provides that: "*The decision rejecting the opposition shall not have retroactive effect on a third party who has used an identical or similar trademark (to the newly registered trademark), on identical or similar goods. However, in case of bad faith on the part of the third party causing damage to the owner of the newly registered trademark, the latter is entitled to compensation*".

Article 63.1 describes methods for calculating damages and adds that "in case of bad faith, where the circumstances are serious, the compensation may be multiplied by a coefficient of 1 to 5."

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Finally, Article 64.2 stipulates that a good faith seller who did not know that the goods were counterfeit, proves that he acquired them legitimately and gives the name of his supplier, is not obliged to pay damages.

Thus, apart from these three exceptions, the law does not create any link between the compensation of the prejudice caused by infringement and evidence of bad faith on the part of the infringer.

And yet, as we have seen, some Chinese courts are reluctant to penalise the owner of an invalidated trademark on the ground of use of the mark while it was valid. Notwithstanding the fact that the mark is supposed to have never existed, these judges require that the bad faith of the trademark owner be established.

## The "right to use" (a trademark)

It is worth trying to understand why the courts cited Article 47 - which has nothing to do with the compensation for damage caused by infringement - to deny compensation in the absence of bad faith.

It seems that the explanation can be found in the words of Articles 4 and 56 of the Trademark Law: "exclusive right to use a trademark". This 'right to use' is seen as a positive right, granted by the trademark office after the preliminary examination procedure, which covers not only "absolute grounds" but also the "relative grounds" for refusal of registration. If,

at the end of the preliminary examination, the examiner's conclusion is positive, and if no one challenges this conclusion (or challenges it unsuccessfully), the owner is granted the positive right to use the mark. This right is also exclusive in that it allows the owner to prohibit others from using the mark without authorisation.

This is a fundamental difference with other systems (such as TRIPS), which do not include the words "right to use" and merely, on the one hand, define what is a trademark and, on the other hand, describe the rights conferred by registration. In these systems, the trademark right is a negative right (prohibiting use by third parties, etc).

The positive right to use seems to be why, in April 2008, the Supreme Court decided to create a distinction between the various holders of prior rights that can bring a legal action against a registered trademark. The Court stipulated that, where the prior right is a copyright, a design or a trade name, the holder of such right may sue an infringing registered trademark without restriction. However, if the prior right is a trademark, the holder of the right must first obtain the invalidation of the challenged trademark.

## ***Ex officio examination***

Why should trademarks be subject to such a restriction? The reason can probably be found in the *ex officio* examination performed by the trademark office concerning the presence of a prior trademark that

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might be an obstacle to the registration of a newly applied trademark. If the control has not revealed any prior trademark, the "right to use" is granted and the Supreme Court considers that it is not possible to override this right by acting directly before the courts.

This reasoning has, however, a flaw. The *ex officio* examination performed by the office is by no means exhaustive and, furthermore, the decision made by the office based on the result of the examination is not final.

First of all, the office examiner cannot know whether certain marks, which he did not believe should be cited, would not have deserved to be cited because of their reputation. Secondly, with the acceleration of the examination time (to around four months), it becomes impossible to take into account the future registrations of foreign trademarks which benefit from six months priority. Finally, even where an opposition is rejected and is therefore followed by registration without possibility to appeal, this decision is not final. As we have seen, it is always possible to request invalidation.

As a result, the owner of an earlier trademark which has not been "seen" by the examiner, or whose opposition has been rejected, is obliged to wait for the outcome of a long invalidation procedure before being able to stop infringement.

And even when successful in doing so, compensation can only be obtained if the bad faith of the infringer can be proven. Yet, the proof of

the bad faith of the infringer is a condition which is not stipulated in the Trademark Law.

Therefore, when a trademark is invalidated, it is important to allow the owner of the prior trademark to obtain full compensation for the prejudice suffered during the entire period of use, which is retroactively qualified as infringement.

Some recent decisions seem to adopt this position (eg, *Shanghai Bell Factory v Shanghai Haoda Watch Co* [Changzhou Intermediate Court (13 October 2016)] and *New Balance v New Balance* (2021) [Shanghai IP Court (12 March 2022)]).

It would therefore be desirable for the Supreme Court to officially confirm this position.



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