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Wanhuida Intellectual Property is a leading IP service provider in China. It has two main legal entities, Wanhuida IP Agency and Wanhuida Law Firm, with offices covering all major IP hubs in China.

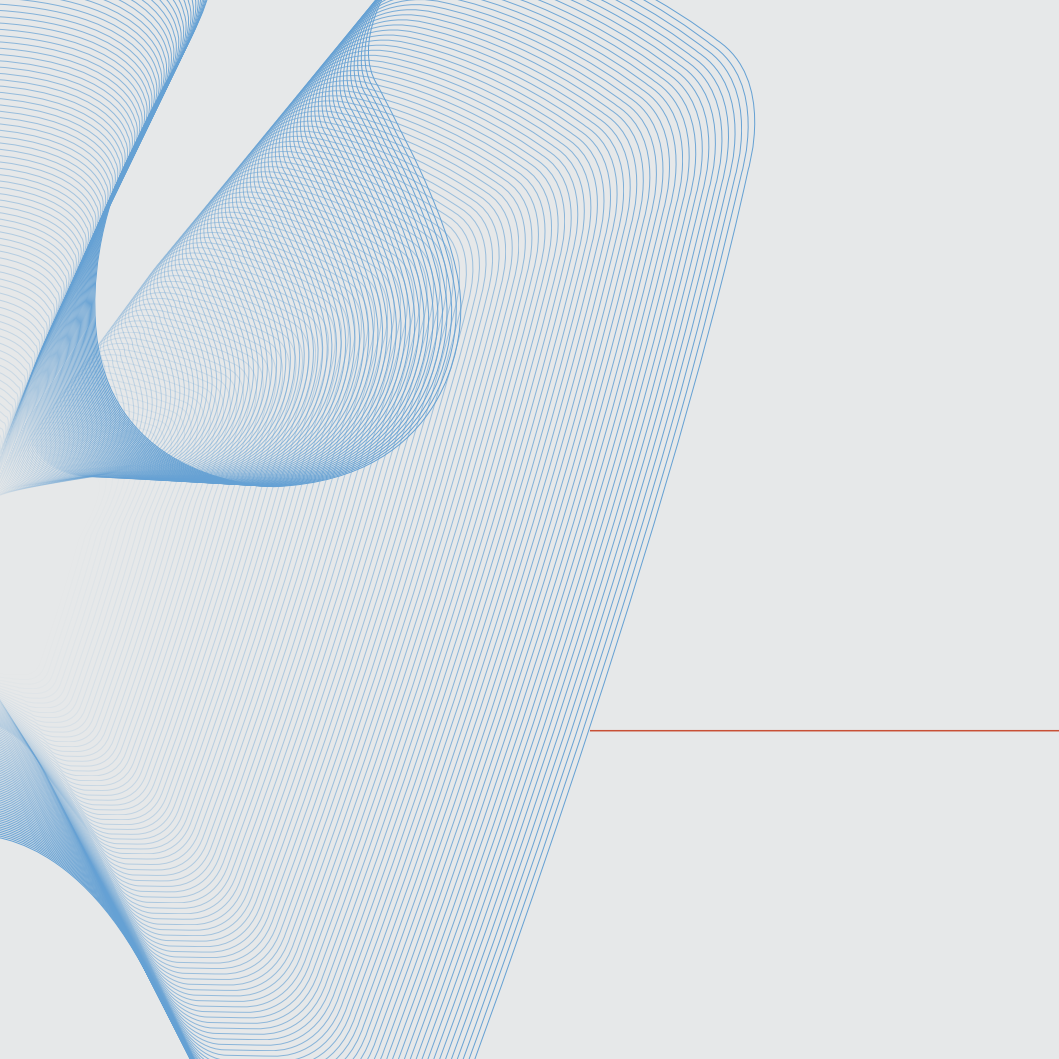
Wanhuida is now home to some 500 employees working exclusively in the field of intellectual property. It has some 50 partners, 120 lawyers specialised in IP litigation and enforcement work, 90 trademark attorneys, 70 patent attorneys and 80 other professionals, including investigators and supporting staff. Many of them are recognised leaders in their respective fields. They come from a broad range of backgrounds, having worked in private practice, as in-house counsel or in government services in courts, police departments or administrative agencies.

The firm's professionals have broad and in-depth experience. Over the years, they have cumulatively litigated thousands of IP cases in courts all over China, prosecuted tens of thousands of patent applications and filed hundreds of thousands of trademark registrations. Many of the cases are first of their kind. They are recognised by industries, courts and administrative agencies as exemplary cases for their legal significance.

Wanhuida understands the law and its context through years of study and practice. It actively participates in the development of the legal framework. Since its creation, the firm has thus been closely associated with the legislative progress of Chinese IP laws and regulations. It continues to play an active role in the improvement of the Chinese legal and regulatory environment. Its practitioners are involved in the processes for revising the trademark law, patent law, copyright law, anti-unfair competition law and relevant judicial interpretations through the submission of comments to draft laws and organising platforms for discussion and communicating with authorities responsible for policy development.

The firm's active involvement in policy and law development enables it to stay abreast of how the laws are shaping up and gives its professionals insights that can be critical to protecting its clients' interests. The firm also keeps its finger on the pulse of legal practice changes through the thousands of cases it handles before the courts and administrative agencies.

This mix of legal expertise and result-oriented practical approach has been critical to the firm's past success and remains a key feature as it launches into the future.



CHAPTER 1

Landscape & Strategy

China's IP Landscape 2023

Gang Bai & Paul Ranjard,
first published by The Legal 500

2023 is not a quiet year, even for China's IP regime. The year started with the surprise release of the draft of the fifth amendment to the Trademark Law, concluded with the State Council's approval of the third amendment to the Implementing Regulations of the Patent Law. These legislative moves along with an array of other fine tunings in procedure and practice will herald a more eventful 2024.

Three changes in the IP practice

Joining the Apostille Convention

On March 8th, 2023, China joined the "Convention Abolishing the Requirement of Legalization for

Foreign Public Documents" ("Apostille Convention"). The Apostille Convention applies to "public documents" which have been executed in the territory of one Contracting State and has to be produced in the territory of another Contracting State. Administrative documents, notarial acts and official certificates which are placed on documents signed by persons in their private capacity are considered as "public". The Convention became effective in China on November 7, 2023. This means that, as of this date, foreigners who need to produce documents in a procedure before a People's court, are exempted from going through the whole process of notarization, validation by the Ministry of Foreign Affairs and legalization by the Consulate of China. For private documents such as the Power of Attorney given to the Chinese lawyer, a notarization is sufficient to allow for the Apostille to be applied. China's embassies in many countries have already announced that they no longer provide legalization services. This is an excellent news indeed, as it will cut the red tape and streamline the process for foreign litigants.

Suspension of cases

In 2023, the China National Intellectual Property Administration (CNIPA) issued internally the "Regulation on the Suspension of Review Cases". The regulation per se is not published, but the CNIPA provided some explanations about the main content and rationale behind this important change of practice in June 2023.

The review procedure referred to in this regulation arises in three

different circumstances: (1) where a trademark application is rejected ex officio by the examiner due to the presence of a prior trademark, (2) where a trademark application is not approved for registration due to the opposition by a third party, (3) where a trademark is invalidated by the CNIPA upon request of a third party. When the refusal, opposition or invalidation decision is contested, it is necessary to file an application for review before the CNIPA (initially called the Trademark Review and Adjudication Board – TRAB). At the same time, in most cases, it is necessary to initiate a procedure against the prior right (the "obstacle") invoked against the rejected/opposed or invalidated trademark. The problem is that the review procedure is much faster than the procedure seeking to remove the "obstacle" so that the situation prevailing at the time of rejection/opposition or invalidation remains unchanged when the CNIPA adjudicates the application for review, and inevitably, the initial decision will be upheld. Hence, appeals need to be filed before the Court, and so on, until a final decision is made in the procedure against the "obstacle". For decades, the CNIPA has been asked to suspend its review procedure when the decision hinges on the outcome of another pending procedure, but to no avail (the Trademark Law provides that such suspension is only optional). The new regulation stipulates that the suspension shall be an obligation in the aforesaid circumstances. This is a considerable improvement for all stakeholders, as it will cut many unnecessary procedures and save legal expenses.

Retrials by the Supreme People's Court

Retrial is part of the general "supervision" of cases dealt with in Chapter

16 of the Civil Procedure Law. The most frequent occurrence of retrials is where a litigant, unhappy with the decision rendered at the second instance level, asks the higher-level jurisdiction (therefore, the SPC, if the appeal decision was rendered by a High Court), to retry the case. With the steady increase in the number of civil litigations, the SPC became progressively overwhelmed with retrial applications. In May 2021, the SPC issued the "Pilot Program for Improving the Four Levels Court Trials " which narrowed down the acceptable causes for retrial by the SPC. The SPC only accepted cases if there was no objection on evidence or procedure and if the dispute focused on a point of law, or if the decision had been made by the Judicial Committee of a High Court (a special panel who deals with the important cases).

Consequently, it became quasi-impossible to obtain the retrial of a difficult case by the SPC.

However, on July 28, 2023, the SPC issued the Guiding Opinion on the Determination of Jurisdiction Concerning Elevation of Jurisdiction and Retrials of Cases, in which the apex court announces that it will accept the retrial of cases that meet certain conditions, such as, having a nationwide significant impact, being of general significance in the application of the law, having a point of law that involves discussions within the SPC, being more conducive to a fair trial, and "other cases" that the SPC deems warrant a retrial.

Since then, retrials before the SPC have resumed.

Drastic restrictions for the filing of trademarks

Apart from these welcome changes, the year 2023 has seen the confirmation of a more general change in strategy concerning the administration and protection of trademarks.

This strategy goes back to 2008, when China announced the National IP Strategy for the Protection of Intellectual Property Rights. During the years that followed, the Government created all sorts of subsidies, awards and tax advantages, to encourage the filing of IP rights: invention patents, utility models, trademarks. The result was a spectacular growth of the number of filings, mainly utility models and trademarks.

For trademarks, the growth in the number of applications was exponential. The number of trademark applications, which until the launching of the National Strategy had remained in the range of 700,000 to 800,000 each year, ballooned and reached the stratospheric number of 9.45 million in 2021. For many applicants, a trademark was pure commodity to be filed and kept for its potential reselling value. The practice was called “trademark hoarding”.

In 2019, the fourth amendment to the Trademark Law was rapidly approved, without public consultation. The main amendment concerned Article 4, which provided that trademarks filed in bad faith without intention to use shall not be approved. Based on this legislative change, the CNIPA started to clamp down on such “bad faith

trademark applications". Subsidies were cancelled, the work of patent and trademark agencies and agents was scrutinized, and "trademark hoarding" was targeted for sanctions. This new strategy had an impact on the number of trademark filings. In 2022 the number of applications dropped to 7.52 million and in the first nine months of 2023, the amount of granted trademark registrations decreased by 35%.

However, the new criteria applied by the examiners may sometimes backfire, which makes it necessary to ask the courts to rectify some refusal decisions. For example, in 2021, a trademark filed by a pharmaceutical company IMEIK Technology, designating various products related to medical filler, was refused ex officio by the examiner who considered that since the applicant had filed a significant amount of trademark in a short period of time, that such trademark was filed "without intention to be used", and should be rejected. The rejection was upheld by the CNIPA and the company had to file a lawsuit before the Beijing IP Court. On 26 December 2022, the Court found that the trademark could be considered as an extension, or a variant, of the applicant's already registered trademark and a mean to widen the scope of protection of the basic trademark. The Court added that even if the applicant had filed many other trademarks (over 500), this did not automatically mean that such trademarks were filed in bad faith.

Revision of the Trademark Law

China is in the process of revising its Trademark Law. A draft was proposed for comments. One of the new provisions attracted a lot of comments: the obligation for all trademark registrants to submit, every five years, a declaration containing evidence of actual use of the trademark. Many stakeholders are worried that such a rule might cause the loss of legitimate trademarks filed for defensive purpose, not to mention the burden and cost of having to maintain, update and file records of use. Among the many comments that were submitted, some suggested that China could find inspiration in the European trademark legislation (rather than the US legislation) and set up a system based on the principle that trademarks are not to be protected if they are not used (except for the first three years).

Besides, the draft provides a list of examples of bad faith, which is welcome, but this would be even more useful if a general definition of what is bad faith was provided. For example, the following definition (given by the European Court of Justice in the case Sky vs. Skykick, C-371/18) could be considered: there is bad faith if the trademark owner has filed the application with the intention of: (1) dishonestly undermining the interest of a third party, or (2) obtaining the right for purposes other than those falling within the functions of a trademark (irrespective of any third party interests).

The revision of the Trademark Law will take some time, as it is not listed

among the priorities of the National People's Congress. This being said, the People's courts have been busy shaping, under the supervision of the SPC, a consistent jurisprudence which aim to discourage the use and enforcement of trademarks registered in bad faith, so that when a lawsuit is built on such a trademark, the court should dismiss the case. In 2022, a district court of Shanghai went even further than dismissing a case: the plaintiff is the exclusive licensee of a legitimate registered trademark but he was suing the owner of another registered trademark. In such a situation, the court would, normally, have refused to docket the case and would notify the plaintiff to file an application for invalidation. Yet, the court examined the subjective intentions of the plaintiff and found that he was abusing his right to sue (for instance, he was using an isolated element of his mark to claim similarity). The court even accepted the counterclaim submitted by the defendant and granted damages.

Revision of the Anti-Unfair Competition Law (AUCL)

According to the work plan of the National People's Congress, the revision of the AUCL is more likely to be adopted within the next five years. As a matter of fact, the AUCL is becoming, more and more, a ground used by the courts when the evidence produced in the case substantiates the presence of bad faith and unfair practice. Thus, the strengthening of this law is more than welcome. The draft revision (first issued in November 2022) introduces a series of new articles. For example, the act of providing convenience or knowingly selling products

subject to the prohibition of confusing acts, is considered as unfair. Other articles are related to the technological evolution of the digital economy, such as the misuse of algorithms to “highjack” the customers of a competitor.

Revised Implementing Regulations of the Patent Law

On 21 December 2023, the State Council promulgated the long-awaited “Decision on Amending the Implementing Regulations of the Patent Law of the People’s Republic of China”. The amended regulations specify practical details concerning several issues, including partial design patents, priority for designs filed in China, patent-term extensions and the open licensing regime, to align with the fourth amendment to the Patent Law, which was enacted on 17 October 2020 and entered into effect on 1 June 2021.

These revised regulations have been hotly anticipated since the promulgation of the amendment to the Patent Law. The adjustments to various CNIPA practices and harmonization with the Hague Agreement are positive changes to the system and aim to make China more appealing to the international IP community.

Civil litigation: a rising percentage of “high value” IP lawsuits

As regards IP civil litigation, the number of judgments rendered by the People’s courts (published each year by the Supreme People’s Court) remains relatively stable. The number had grown steadily from 21,518 in 2008 to 514,999 in 2021. Sometimes the SPC publishes separately the number of foreign related cases. It can be seen that cases involving foreign litigants only represent 1.2% to 1.3% of the total civil IP cases. However, the percentage is much higher for administrative litigations concerning the granting, confirmation, cancellation of IP rights (it was 38% in 2018, dropped to 21% in 2021 and further dipped to 18% in 2022). It is also worth noting that in the past four years (2019-2022), 10% of the technology related cases were foreign related, and the number of these cases involving patents is on the rise: in 2023 patent contractual disputes raised by 42%; patent infringement and patent ownership disputes raised by 27%; technology related disputes increased by 56.7%. In other words, the rate of “high value” IP lawsuits has increased significantly in 2023.

The SPC IP Court

This increase of “high value” IP lawsuits had a direct impact on the practice of the SPC and led to the issuing of a decision on 16 October 2023, reorganizing the boundaries of the jurisdiction on patent and technology related cases.

In order to avoid contradictions and guaranty a higher predictability of decisions rendered in technology related cases, it had been decided, in 2018, that all appeals against lower-court judgments rendered in cases with a technical aspect should be directly submitted to the SPC, acting as the unique court of appeal for the whole country. The SPC created a special court known as the SPC IP Court and on 27 December 2018, promulgated Provisions setting out how the new court would function and what would be the boundaries of its jurisdiction.

According to the Provisions, the SPC IP Court was to accept (1) all appeals against judgments and rulings rendered by the High courts, the Intermediate courts and the IP courts (Beijing, Shanghai and Guangzhou) in civil cases (including contractual disputes) involving invention patents, utility models (but not designs), new plant varieties, technical secrets, computer software, layout designs of integrated circuits and antitrust matters; (2) all appeals against judgments and rulings rendered by the Beijing IP Court in administrative cases involving granting and confirmation of invention patents, utility models, designs, new plant varieties and layout designs of integrated circuits (but not antitrust, computer software or technical secrets); and (3) all appeals against judgments and rulings rendered by the High courts, the Intermediate courts and the IP Courts in administrative penalty cases involving all the IP rights listed in point (1), plus designs.

The success of the SPC IP Court was so huge that it became progressively submerged by the number of appeals, which kept growing with the

increase of “high value” cases.

At the end of 2022, the SPC IP Court had accepted a total of 13,863 technology-related IP and monopoly cases. In 2022, it recorded 457 new foreign-related cases (including those involving Hong Kong, Macao, and Taiwan), accounting for 10.4% of all new cases, reflecting a year-on-year growth of 4.6%. A total of 372 cases were closed, exhibiting a sizable year-on-year increase of 32.9% and accounting for 10.7% of the total number of closed cases.

The number of cases in which both parties are foreign parties continued to rise, accounting for approximately 4% of all foreign-related cases filed before the court.

As a result of this constant increase, the SPC needed to narrow down the scope of jurisdiction of its IP Court. This has been done by the publication, on 16 October 2023, of the Decision amending the Provisions of 2018. As of November 1, disputes surrounding utility models, trade secrets and computer software, which are deemed to be of lower-level technicality, will only be accepted by the SPC IP Court if the first instance judgment was rendered by the High People's Court of a province.

Meanwhile, the SPC expands the jurisdiction of its IP Court over cases involving applications for reconsideration of interim measures ordered in the first instance of civil and administrative cases. Such cases include

matters like pre-trial injunctions, especially the highly controversial anti-suit injunctions (which allows a People's court to issue against a litigant an order preventing the filing of another lawsuit in another jurisdiction).

IP enforcement: "less is more"

With regards to IP enforcement, another change of strategy is worth noting. In the past years, Chinese courts were faced with a trend that could be described as "commercialised IP enforcement": the filing of large numbers of civil IP lawsuits with limited value, against small sellers of infringing products, for the sake of collecting damages and turning the litigation activity into a source of profit. In such cases, the plaintiffs avoid investing time and efforts in the search of the source of the infringing products i.e., the suppliers or the manufacturers. The courts, overwhelmed with such cases, awarded, on purpose, low damages to discourage this kind of "business model". Conversely, the courts published exemplary judgments with high damages rendered against the manufacturers.

Procedures: more user friendly

When the Covid pandemic ended in China, the courts at various levels had to wind up the pending lawsuits, which were delayed by the Covid restrictive measures, and had to deal with newly filed lawsuits. This was a big challenge. The Supreme Court found a solution by selecting intermediate courts to hear technology related lawsuits, allowing them to hire "technology investigators" to help in the fact finding

and understanding of the technology, and by designating nearly 600 courts at basic levels to adjudicate simple IP disputes (like trademark infringement).

On top of jurisdictional adjustments, the “Smart Court” practice also contributed to the expedition of the procedures. Even before the pandemic, some courts had begun to move certain procedures, like filing a lawsuit, online. The pandemic markedly popularised this practice. Pre-litigation settlement negotiation, cross-evidence examination, lawyer’s brief, argument presentation and oral hearing have all moved online ever since. Courts also utilise electronic file transfer system to speed up the appeal process. All these practices make the litigation procedure more user friendly for IP practitioners.

Major trademark policy changes in China from 2021 to 2023

Yongjian Lei & Xiaoxia Zheng, first published by WTR, included in WTR Special Report Q2 2023: Spotlight on Asia-Pacific: A guide to strategically navigating the evolving landscape

Over the past two years, China has been reforming and optimising its judicial and administrative systems for trademarks. As part of these reforms, the first draft of an amendment to the Chinese Trademark Law, proposed by the China National Intellectual Property Administration (CNIPA), was unveiled at the beginning of 2023. These significant developments were driven by some landmark cases.

Substantive law

Strengthening the protection of trademark rights, prohibiting abuses of rights (and clarifying the boundaries of fair use), cracking down on malicious trademarks, and enhancing administrative supervision and guidance are highlights of recent developments in substantive law.

Strengthening the protection of trademark rights

The Judicial Interpretation of punitive damages issued by the Supreme People's Court (SPC) in March 2021 explained in detail when and how punitive damages can be applied in civil cases. The Interpretation enables trademark holders to be sufficiently compensated, while deterring the potential infringers through a more imminent threat of punishment under more specified situations. Wyeth v Guangzhou Wyeth Baby Maternal and Infant Products Co ((2021) Zhe Min Zhong No. 294) – one of the SPC's top 10 IP cases in Chinese courts for 2021 – was the first such case; compensation of 30 million yuan was granted due to the defendant's malice and the serious circumstances surrounding the infringement.

Abuse of rights

For rights holders that abused their rights, however, clearer signals were subject to a backlash. In its Judicial Reply from June 2021, the SPC confirmed that, if the plaintiff's lawsuit is found to constitute an abuse of

rights, it should compensate the defendant for its attorney fees as well as its transportation and accommodation expenses upon the request of the latter. The CNIPA's guidance, issued in January 2023, reiterated that trademark owners should increase their awareness of potential abuse of rights issues when their trademarks contain geographic names. In Shanghai Wancuitang Catering Management v Wenjiang Wu'a'po Green Peppercorn Fish Hotpot Restaurant ((2021) Chuan Zhi Min Zhong No. 2,152) – one of the SPC's top 10 IP cases in Chinese courts for 2022 – the court held that the owner of the trademark ' 青花椒 ' (green peppercorn) for catering services in Class 43 abused its rights against the defendant's fair use of ' 青花椒鱼火锅 ' (green peppercorn fish hotpot).

Malicious trademark filings

The CNIPA has been very active and has achieved fruitful results in combating trademarks filed in bad faith. Two sets of rules from the CNIPA set forth in March 2021 and March 2022 concerning cracking down on bad-faith trademark filings have substantively contained such conduct. It is also interesting to note that, after the new requirements for re-filing of trademark agencies were issued, the CNIPA announced in April 2023 that only 16,921 trademark agencies and law firms survived the first re-filing round compared to over 60,000 in 2021. At the same time, success rates for opposition, invalidation and non-use cancellation cases have conspicuously increased in recent years.

Administrative supervision and guidance

Last but not least, the CNIPA has issued a series of administrative regulations and rules to ensure that the registration and use of trademarks comply with the law, including:

- the Guidelines on Trademark Examination and Adjudication in November 2021 on trademark prosecution matters;
- the Criteria for Determination of General Trademark Violations in December 2021 on types of trademark offences other than trademark infringement, aiming to strengthen the management of trademark use and unify administrative enforcement standards; and
- the Guidance on Signs Prohibited from Use as Trademarks in January 2023 on various specific scenarios in which trademarks are banned from use.

Procedural law

The major changes in procedural law focused on improving efficiency and clarifying the jurisdiction matter in trademark cases. The SPC published an opinion in May 2021 on administrative proceedings, promoting the pre-litigation mediation mechanism and a simplified or summary procedure.

In September 2021, the SPC decided to implement some measures to reform trial functions for courts of different levels, under which

the Beijing High People's Court (taking over from the SPC) began to examine retrial requests for the overwhelming majority of administrative trademark cases against CNIPA decisions. Under this new mechanism, the Beijing court became the forum for most of its own second-instance cases.

The SPC also clarified what types of cases can come under the jurisdiction of grassroots courts in its provisions in April 2022.

Outlook

In 2021, the number of trademark filings in China reached a historic peak of 9.45 million. This number started to decrease in 2022 and is expected to fall further in 2023, which could be partially related to the stringent regulation of bad-faith trademark filings and the more intensive application of absolute grounds for refusal. Trademark practitioners are facing more refusals based on descriptive and deceptive clauses. These issues may call into question whether the SPC should retry more cases directly, as it used to.

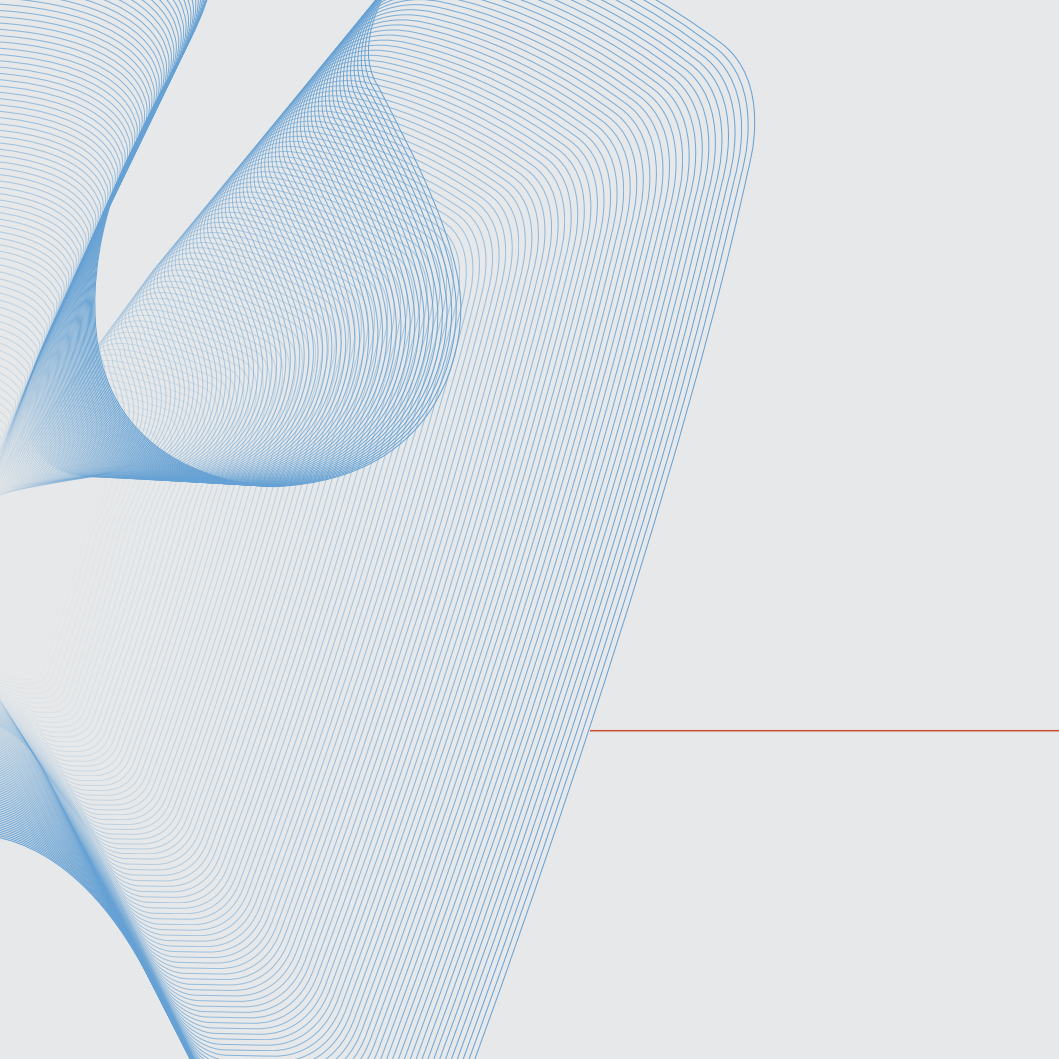
Undoubtedly, the use requirement both before and after a trademark is registered is increasingly being emphasised. In the CNIPA's proposed amendment to the Trademark Law, the trademark owner should commit to future use the mark before filing and submit a use report every five years following its registration – an even tougher requirement than that found in US law. In addition, the proposed amendment would prohibit the repetitive filing of an identical trademark. However, how burdensome the use report would be and the scope of 'identical trademarks' in

practice remain uncertain.

Whether and how trademark squatting is actionable in a civil case is still not quite clear. In Emerson Electric Company v Xiamen Water Angels Drinking Water Equipment ((2021) Min Min Zhong No. 1,129), the court held that trademark squatting without trademark infringement activities could constitute unfair competition because many precedents in administrative cases have confirmed the existence of malice. The CNIPA's proposed amendment to the Trademark Law also touched on this issue in Article 83 by stating that the rights holder may sue the malicious applicant for compensation for its losses. However, the issues of whether malice in civil cases should – and whether it could alone – be relied on as a precedent in administrative cases, and whether a civil case claiming damages and an administrative case challenging the legitimacy of the trademark could be consolidated, are not yet settled.

Over the past two years, the acceptability of letters of consent before the CNIPA and the courts has declined significantly. Whether there will be a rebalance between the public interest and trademark owners' autonomy is to be seen.

Finally, the challenges in securing registration for non-traditional trademarks also requires ongoing observation. Regarding the lack of a predictable suspension procedure in the review stage of refusal cases (ie, when waiting for the status of the cited prior marks to be determined), the CNIPA has just published its interpretation on 13 June, which would hopefully make the suspension mechanism much clearer.



CHAPTER 2

Legislation update

Supreme People's Court's new guiding opinion has critical implications for trademark owners

Zhigang Zhu, Paul Ranjard & Hui Huang, first published by IAM

On 28 July 2023, the Supreme People's Court issued a Guiding Opinion on the Determination of Jurisdiction Concerning Elevation of Jurisdiction and Retrials of Cases. As indicated in the title, this opinion addresses two topics: elevation of jurisdiction and retrials.

Elevation of jurisdiction

Elevation of jurisdiction refers to the transfer of jurisdiction – a characteristic of the Chinese legal

system – outlined in the second chapter of the Civil Procedure Law about judicial organization Organization (the Administrative Procedure Law has similar rules). Generally speaking, the judiciary is organised into four levels:

- basic people's courts;
- intermediary people's courts;
- high people's courts (one per province); and
- one Supreme People's Court.

Procedures may go through three successive levels of jurisdiction:

- first instance;
- appeal; and
- retrial.

In principle, whether a case should begin at the basic, intermediate, high court or even Supreme Court level depends on the case's impact on the territorial jurisdiction covered by the court. Some courts have a special competence on certain matters, such as the four IP courts in Beijing, Shanghai, Guangzhou and Hainan. However, the current system is quite flexible: Article 39 of the Civil Procedure Law provides for the possibility of adjustments (eg, a case filed at a certain level may either be moved to a lower level or elevated to a higher level). The Supreme People's Court's recent guiding opinion now clarifies when a case can be moved to a higher level.

This is particularly critical for trademark owners. In April 2022, the Supreme People's Court issued a circular about the jurisdictional threshold of basic courts, which resulted in the vast majority of trademark litigation to be initiated at the basic level. Consequentially, appeals were handled by the intermediate court and retrials by the high courts; the Supreme People's Court was out of reach for most trademark infringement cases.

This new interpretation allows certain trademark infringement cases to be elevated to the intermediate level, which brings them within reach of the Supreme People's Court for a possible retrial.

Retrial

Retrial is part of the general supervision of cases, which is dealt with in Chapter 16 of the Civil Procedure Law.

Article 205(2) states:

Where the Supreme People's Court discovers an error in a judgment, ruling or mediation of a Local People's Court at any level which has come into legal effect or where a High People's Court discovers an error in a judgment, ruling or mediation of a lower-level People's Court which has come into legal effect, it shall have the right to retry or order the lower-level People's Court to re-try the case.

While there is no time limit for this, the occurrence of such a retrial ordered by the Supreme People's Court or a high court is incredibly rare. The most frequent situation is one where a litigant, unhappy with the appeal-level decision, asks the higher-level court (ie, the Supreme People's Court – if the appeal decision was rendered by a high court) to retry the case. This request must be filed within six months.

Article 207 of the Civil Procedure Law outlines no fewer than 13 causes for retrial. Most of these concern evidence; only one concerns a possible error in the application of the law.

With the number of civil litigations on the rise, the Supreme People's Court became overwhelmed with retrial applications. In May 2021, the court issued a pilot programme for improving the four levels' court trials, which narrowed down the number of acceptable causes for retrial. The court would now only accept cases if:

- there was no objection on evidence or procedure;
- if the dispute focused on a point of law; or
- if the decision had been made by the judicial committee of a high court, which is a special panel that deals with important cases.

However, this made it almost impossible to obtain a retrial by the Supreme People's Court. Therefore, this programme is no longer active and in the new guiding opinion, the Supreme People's Court has re-opened its door to retrial applications.

Article 15 of the guiding opinion states that high courts shall, in principle, retry cases that are eligible for retrial unless the reasons for retrial are mostly due to procedural defects, in which case the high court may order the lower people's court – that issued the judgment – to retry.

Article 16 further provides that, except where the law and judicial interpretations justify an elevation of jurisdiction, the Supreme People's Court will retry a case if it meets one of the following circumstances:

- it has a significant nationwide impact;
- it clarifies general guidance when it comes to the application of the law;
- if the point of law in question involves a major disagreement within the court;
- if the point of law in question involves a significant divergence of views among different high courts (provincial level) that are adjudicating similar cases;
- where the case is more conducive to a fair trial; and
- if the Supreme People's Court deems that it should be brought to trial.

In addition, the guiding opinion reiterates the aforementioned provision of Article 205(2) of the Civil Procedure Law, which enables the Supreme People's Court to retry cases ex officio, where it finds – on its own initiative – that there is an error in a civil or administrative judgment and ruling of local people's courts at any level.

Looking forward

This opinion re-enables the Supreme People's Court to hear more retrial cases, as crucial cases can now start at an intermediate court after elevation of jurisdiction. This is especially critical for the many cases filed with the Beijing IP Court following decisions made by the China National IP Administration, which are subject to appeal before the Beijing High Court and then to the Supreme People's Court for retrial. Whether – and how – the Supreme People's Court will use its ex officio power to harmonise the application of the law will be vital.

Supreme People's Court narrows the scope and jurisdiction of its IP Court amid workload concerns

Huimin Qin, Paul Ranjard & Nan Jiang,
first published by IAM

On 16 October 2023 the Supreme People's Court (SPC) issued a decision to amend the Provisions on Several Issues Concerning the SPC IP Court of 27 December 2018, which came into effect on 1 November 2023.

The National People's Congress decided on 26 October 2018, that all appeals of lower-court judgments in technical cases should be submitted to the SPC. As a result, the SPC created a special court – the IP Court

– and on 27 December 2018 promulgated the aforementioned 2018 provisions, setting out how this court would function and defining the boundaries of its jurisdiction.

According to the 2018 provisions, the SPC IP Court has jurisdiction over all appeals against judgments and rulings rendered by intermediate courts, IP courts and high courts, in civil cases (including contractual disputes) involving:

- invention patents;
- utility models (but not designs);
- new plant varieties;
- technical secrets;
- computer software;
- integrated circuit layout designs; and
- antitrust matters.

The court also has jurisdiction over all appeals against Beijing IP Court judgments and rulings in administrative cases that involve the grant and confirmation of invention patents, utility models, designs, new plant varieties and integrated circuit layout designs.

Finally, it has jurisdiction over all appeals against intermediate court, IP court and high court judgments and rulings in administrative penalty cases involving all the IP types set out in the above list, as well as designs.

The SPC IP Court was so successful that it was swiftly inundated with appeals. The need for the SPC to amend the 2018 provisions and narrow the scope of its IP court's jurisdiction became increasingly pressing.

Scope of jurisdiction

Appeals related to the following cases remain unchanged:

- administrative litigation concerning the granting and confirmation of patent rights (ie, invention patents, utility models and designs), new plant varieties and integrated circuit layout designs;
- civil and administrative litigation surrounding ownership disputes, invention patent infringement, new plant varieties and integrated circuit layout designs; and
- civil and administrative litigation concerning monopolies.

Changes will affect the following types of cases:

- civil and administrative litigation concerning the ownership and infringement of utility models, trade secrets and computer software – only the appeals against high court first-instance judgments will be accepted, so intermediate-level first-instance judgments should be appealed before the provincial high courts;
- contractual disputes, which will be excluded; and
- design cases, which will be excluded except those that concern the granting and confirmation of the rights.

The first two points with regard to the changes being made are in accordance with the SPC's April 2022 judicial interpretation, which lowered the first-instance jurisdiction level for IP contractual cases and design cases.

In the meantime, the SPC will expand the jurisdiction of its IP Court over cases involving applications for reconsideration of interim measures ordered in the first instance of civil and administrative cases. Such cases include matters such as pre-trial injunctions, especially the highly controversial anti-suit injunctions, which used to be heard by the court that issued the order in the first place.

Addressing the abuse of litigation rights

The amendment also includes a new Article 4 about the abuse of litigation rights.

Article 4 states:

The Intellectual Property Court may request the parties to disclose information of any correlated cases involving the ownership, infringement, and the granting and confirmation of the disputed intellectual property rights. Failure to provide accurate disclosure may be taken into consideration when ascertaining whether the party follows the principle of good faith or whether the party abuses its rights.

This article refers to the well-established court principle that IP rights obtained in bad faith should not be enforced or protected. Therefore, a case initiated by such a bad-faith rights holder should be dismissed.

Beijing IP Court docket statistics and new guidelines vital for foreign litigants

Paul Ranjard, Huimin Qin & Zhigang Zhu, first published by IAM

On 19 December 2023 the Beijing IP Court released statistics on its docketed cases from the first 11 months of 2023 and introduced the Guidelines for Handling Supporting Documents Certifying the Subject Qualification in Foreign-Related Cases at a press conference.

Statistics from 2023

From January to November, 24,324 IP cases were docketed in total by the Beijing IP Court, showing a

decrease of 7% – in contrast to the average annual growth rate of around 20% – over the past seven years. This marks the first fall since the court's inauguration in 2014.

Given that the Beijing IP Court has exclusive jurisdiction over all China National IP Administration decisions concerning trademarks and patents, it is unsurprising that most of the cases handled by the court are administrative. Of the 24,324 cases docketed from January to November, 5,449 were civil and 18,875 were administrative.

With regard to civil cases, 1,369 were filed directly with the Beijing IP Court at first instance, while the remaining 4,080 were appeals against lower-court decisions and cases concerning other procedural matters. As for administrative cases, 18,867 were submitted at first instance.

Of the total caseload docketed at the first instance, 21.2% were foreign-related (including Hong Kong, Macao and Taiwan). Cases involving France, Germany, Japan, South Korea and the United States made up over 50% of all foreign-related cases.

The court's new guidelines

In addition to these statistics, the Beijing IP Court also released its Guidelines for Handling Supporting Documents Certifying the Subject Qualification in Foreign-Related Cases, in which it provides detailed instructions to help foreign litigants establish and submit the set

of documents that officially certify their identity and capacity. This clarification effort is a welcome development, especially after China's formal accession to the Apostille Convention in 2023.

The documentation that is required to certify litigants' identity and eligibility varies in different jurisdictions. Since it is impossible to address all of the existing legislation concerning legal forms and corporations' operational rules, the guidelines focus on six countries only: Belgium, France, Germany, Japan, South Korea and the United States (California and Delaware). For each of these jurisdictions, the guidelines cite the relevant laws and describe, with examples, the content of each certification document that is required.

In addition to proving their identities, foreign litigants must submit a power of attorney in favour of the Chinese attorney who will act in court on their behalf. Since the undersigned of the power of attorney is rarely the litigant's legal representative (it is often a member of staff – authorised by a kind of internal power of attorney), it is necessary to satisfy the court that the undersigned is, indeed, duly authorised. In its guidelines, the Beijing IP Court explains who has the authority to sign a power of attorney on behalf of a company according to local laws and provides templates that litigants can easily follow.

Since 7 November 2023, litigants from contracting states of the Apostille Convention can skip the legalisation procedure – which previously involved the issuing country's authorities and the Chinese Consulate in

the litigant's country. Now, litigants may submit the documents with the Apostille, provided by the relevant authority in the country concerned, together with an official translation (see "Apostille Convention marks transformative step forward for foreign IP litigants in China", P45).

Apostille Convention marks transformative step forward for foreign IP litigants in China

Zhigang Zhu, first published by IAM

The legalisation of power-of-attorney (POA) documentations in China has just undergone a significant transformation. On 8 March 2023 China formally joined the Convention Abolishing the Requirement of Legalisation for Foreign Public Documents (the Apostille Convention), which came into effect on 7 November 2023 and is resulting in positive changes for foreign IP owners.

The Apostille Convention – from the Hague Conference on private international law – aims to alleviate the complexities associated with validating

and authenticating public documents for cross-border use. The notarial acts, documents from authorities or officials connected to courts or tribunals of the state (including those from a public prosecutor, a court clerk or process server) are, among others, deemed to be public documents.

The implementation of the convention marks a sizeable step forward for foreign litigants and individuals seeking to use foreign documents in China. Previously, foreign documents that were intended for use in the country had to undergo a complex and time-consuming validation process. This often involved notarisation, authentication by the issuing country's authorities and further legalisation by the relevant Chinese embassy or consulate.

This will completely transform the landscape. From 7 November 2023 all that is now required for foreign documents is an apostille issued by the competent authority in the document's country of origin. This certifies the document's authenticity, which renders obsolete the need for additional authentication from the relevant Chinese consulate. This streamlined process will not only simplify document validation but also reduce costs and expedite the overall procedure, making cross-border legal transactions, business agreements and personal affairs in China much more efficient.

The impact of this change is far reaching. It is expected to facilitate a wide range of international activities, including legal processes and

business ventures. Foreign litigants, particularly IP owners, will be relieved of the burden of legalising identification and POA documents for each administrative litigation filed against decisions made by the China National Intellectual Property Administration. This simplification will significantly reduce barriers to effective legal representation and international engagement.

China's accession to the Apostille Convention signifies a seismic shift in the way that foreign documents are validated and recognised. It aligns China with global standards, enhancing its attractiveness as a destination for international activities. This development marks a significant milestone in China's ongoing commitment to international cooperation and the simplification of cross-border legal processes.

In practice, although various Chinese embassies have already announced the cessation of legalisation service, foreign litigants are still advised to heed the documentation requirements of the Chinese courts, which may maintain the status quo unless otherwise instructed by the Supreme Court. Hopefully, it will be a swift and seamless transition.

New foreign GI regulations take effect in China, with some contradictions

Paul Ranjard, Hui Huang & Zhigang Zhu, first published by WTR

On 1 February 2024, two regulations issued by the China National IP Administration (CNIPA) on 29 December 2023 will enter into effect. The regulations provide details on the registration, administration and protection of geographical indications (GIs).

Two systems, two regulations

The simultaneous issuance of two regulations on the same topic is the consequence of China's dual system regarding GI protection. The system incorporates:

- the so-called sui generis system prevailing in the European Union; and
- the trademark system covering collective or certification marks, which can be used to protect GIs, prevailing in other parts of the world (eg, the United States).

Hence, the coexistence of two parallel regulations.

The regulations under both systems have followed different paths, at different times.

The first regulation for the Registration and Administration of Collective and Certification Trademarks goes back to 2003. In June 2022 the Draft Measures for the Administration and Protection of Collective and Certification Trademarks were published. This draft was adopted after some modifications on 29 December 2023. Both regulations (2003 and 2023) coexist but in case of discrepancy, the latest will prevail.

The first regulation regarding GI products was issued in 2005. It was only in 2016 that measures were published concerning foreign GIs; these were slightly modified in 2019. In 2020, the CNIPA published a new draft combining revisions to the 2005 and 2019 regulations, but no final text was decided. Eventually, a revision of the 2005 regulation drafted in September 2023 became the now final text of 29 December 2023. Similarly, both versions (2005 and 2023) coexist.

It is significant that both regulations have become, so to speak, reunited, and will enter into effect on the same date, 1 February 2024.

Still, 'collective or certification trademarks' and 'GI products' are different legal concepts and it is worth comparing their respective regulations (henceforth the Collective/Certification Trademark Regulation and the GI Product Regulation) under a framework of analysis relating to:

- definition;
- registration;
- use;
- supervision;
- revocation; and
- protection.

Definition

The concept of a GI was introduced and defined under the Trademark Law in 2001, after China aceeded to the World Trade Organisation. Article 16(2) of the Trademark Law states: "A geographical indication referred to in the preceding paragraph is a sign which indicates a good as originating in certain region, where a given quality, reputation or other characteristic of the good is essentially attributable to the natural or human factors of the region."

The concept of a GI in both new regulations should conform with this legal definition.

Article 5 of the Collective/Certification Trademark Regulation provides a definition indirectly, by listing what needs to be stated in an application for registration:

Where a geographical indication is registered as a certification mark or a collective mark, the following contents shall be stated in the application: (1) The specific quality, reputation or other characteristics of the commodities indicated by the geographical indication; (2) The specific quality, reputation or other characteristics of the product are mainly determined by the natural or human factors of the area indicated by the geographical indication; (3) the extent of the area indicated by the geographical indication.

Article 2 of the GI Product Regulation offers a straightforward definition:

The term 'geographical indication product' refers to products whose quality, reputation, or other essential characteristics are essentially determined by the natural and human factors of a specific region. Geographical indication products include: (1) Planting and breeding products from the specific region; (2) Products with raw materials either entirely from the specific region or partly from other areas, produced and processed in the specific region according to specific processes.

It appears, therefore, that – apart from a few different word choices – there is a fundamental difference between these two definitions. The Collective/Certification Trademark Regulation states "natural or human

factors"; the GI Products Regulation states "natural and human factors". Between these two words, 'or' and 'and', lies the possibility, or the impossibility, to protect handicrafts and industrial products.

The GI Product Regulation, therefore, does not seem to conform with the legal definition provided by Article 16(2) of the Trademark Law. It also seems to contradict the terms of the EU-China GI Agreement signed on 14 September 2020, which stipulates: "The Parties agree to consider extending the scope of geographical indications covered by this Agreement after its entry into force to other product classes of geographical indications not covered by the scope of the legislation referred to in Article 2, and in particular handicrafts, by taking into account the legislative development of the Parties." The reference to craft and industrial products in the new regulation is all the more justified, since the European Commission has recently promulgated the EU Regulation on Geographical Protection for Craft and Industrial Products.

Registration

The differences between collective/certification trademarks and GI products are more obvious when looking at their respective registration procedures.

Who may apply

Applications for the registration of collective/certification trademarks

are filed with the CNIPA by the entity that requests the protection of the GI. Applications for the protection of GI products are submitted to the CNIPA by the people's governments, at the county level or higher, proposing the production area, or by a designated social organisation or institution.

Where the applicant for the registration of a GI collective/certification trademark is Chinese, an "approval document issued by the people's government or the competent department at or above the county level" must be attached (Article 5.1). If the application is filed by a foreign individual or foreign enterprise, evidence must be submitted that the GI is legally protected, in the country of origin, in the name of the applicant. As to GI products, according to the 2019 measures, the applicant of a foreign GI must be the "original applicant in the originating country or region", recommended by the competent authority in such country or region.

Examination

The examination of collective/certification trademark applications is performed by CNIPA examiners and follows the same procedure as for ordinary trademarks (ie, substantive examination, preliminary approval, publication). For GI product applicatons, the CNIPA conducts a formality examination to verify whether the set of required documents is complete and, after formal acceptance, organises a technical examination by a panel of experts, concluded by a preliminary recognition announcement.

Oppositions

The opposition process for collective/certification trademarks is the same as for other trademarks (ie, three months from the publication of preliminary approval). Oppositions against GI products may be filed within two months after the announcement of the preliminary recognition. (It may be noted that, under the 2019 measures, the opposition process is conducted before the technical examination, not after.)

Use

The two regulations differ in their approach to the relationship between registrants and producers.

For collective/certification trademarks, these relations are defined in the Implementing Regulations of the Trademark Law 2014. A certification trademark may be used by any person provided that the products satisfy the criteria set out in the registration, whereas a person may ask to become a member of the collective trademark registrant or may even be allowed to use the mark (subject to the same quality conditions), without becoming a member. The regulation provides detailed conditions for the fair use of a place name contained in a GI trademark. However, this is subject to not disturbing the order of market competition or disparaging the reputation of the trademark.

The GI Products Regulation focuses on the authorisation to use special logos, granted to the producers by the CNIPA. Subject to satisfying the quality conditions, producers may apply to the local IP authorities for the right to use a special logo on their products, packaging, containers and transaction documents. The authorities will refer this to the provincial level and then to the CNIPA. The form of the logo must be downloaded from the CNIPA website and may not be changed.

Supervision

Both regulations provide for the necessity to supervise the quality of the products protected by a GI. Under the Collective/Certification Trademark Regulation, this responsibility lies with the registrant, while under the GI Products Regulation, local IP administrations are responsible for the daily supervision of:

- the production area;
- the name;
- quality characteristics; and
- compliance with standards.

Revocation

Article 26 of the Collective/Certification Trademark Regulation introduces the concept of "negligence in exercising the trademark right resulting in the mark becoming a generic name" for GI products, and refers to Article 49 of the Trademark Law (non-use for three consecutive years).

Under these conditions, any person may apply for the revocation of the trademark.

The GI Products Regulation is much more prolific about the conditions for revocation of a GI product – namely:

- becoming a generic name;
- non-use for three consecutive years;
- irrevocable changes in the natural or human factors;
- violation of laws;
- public order;
- safety or hygiene hazards; or
- obtention by deceptive or unfair means.

The revocation of GIs – in particular, European GI products registered pursuant to the EU-China GI Agreement – is particularly problematic.

The EU GI Regulation (1151/2012) specifically provides that GIs cannot become generic. Besides, Article 4.5 of the EU-China agreement provides: "Nothing in this Agreement shall oblige a Party to protect a geographical indication of the other Party which is not, or ceases to be, protected in its country of origin, or which has fallen into disuse in that country." Therefore, the only way that a European GI could cease to be protected in China is if it ceases to be protected in the country of origin, not because an organisation or individual has requested its cancellation.

Protection

Whether registered or not as collective/certification trademarks or GI products, the protection of GIs against the registration or use of conflicting trademarks is subject to the provisions of the Trademark Law. Articles 10.2 and 16 of the law constitute a strong and efficient legal base for ensuring such protection.

However, the enforcement of GI rights against usurpation by illegitimate producers shows significant differences between the two regulations.

Collective/certificate trademark owners may rely on the Trademark Law, which provides for administrative actions by the Administration for Market Regulation, criminal enforcement by the Public Security Bureaus, or civil actions before the courts. Therefore, the new regulation provides no additional measures beyond what is already in the law.

Article 30 of the GI Product Regulation, which is not "backed" against a specific law, simply provides that acts violating GI rights are "subject to relevant laws and regulations". Such acts are enumerated and include:

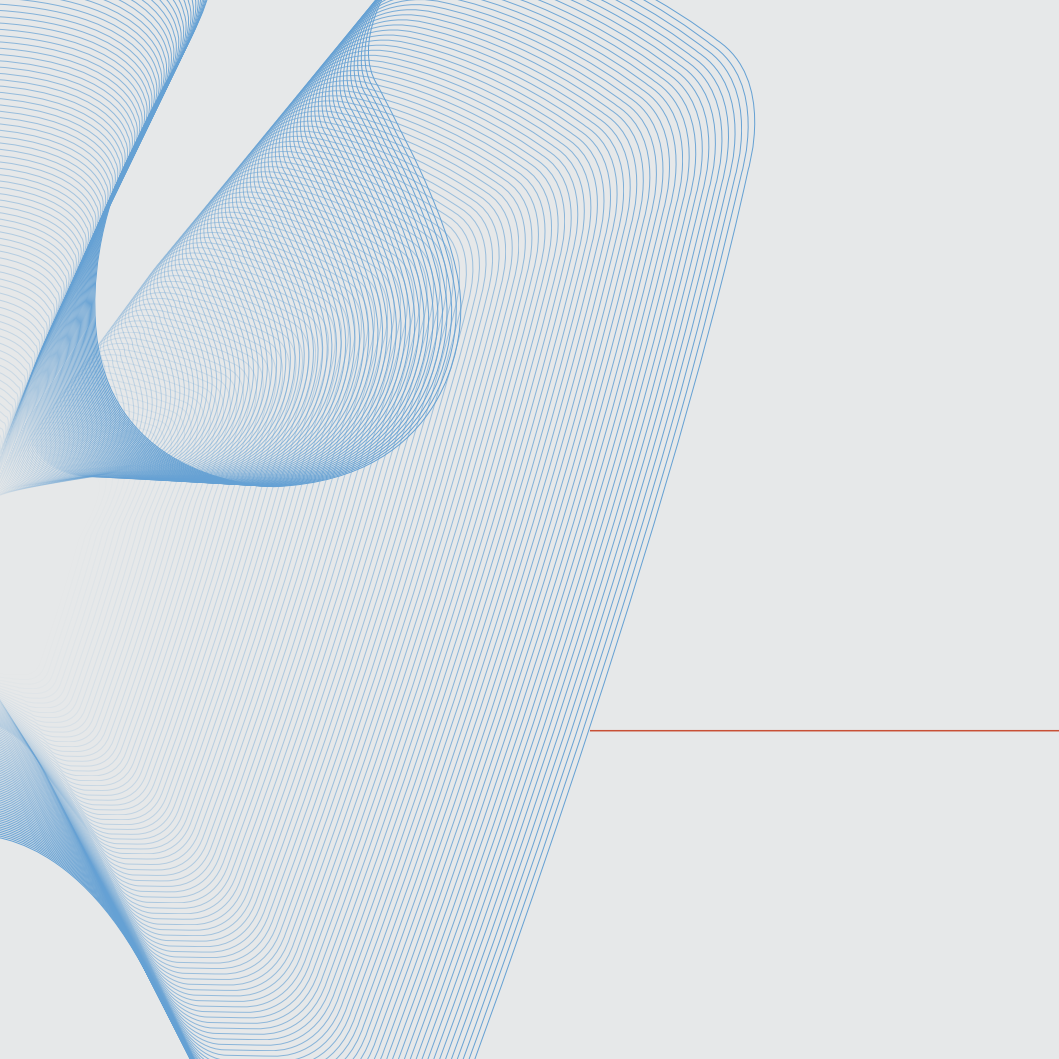
- using the name on identical or similar products not originating from the protected area, even if the true origin is indicated;
- using a similar name, while not meeting quality standards; and
- counterfeiting the special logo.

In practice, when such acts occur, rights holders often resort to the Product Quality Law or the Anti-unfair Competition Law.

It is worth noting that previous drafts of the GI Product Regulation provided for the administrative authorities to take enforcement actions (eg, raids, confiscation and destruction of the illegal products, and fines against infringers). However, due to the recent administrative reform, which placed the CNIPA directly under the State Council (and no longer under the State Administration for Market Regulation (SAMR)), it appears that the CNIPA is not in a position to provide for enforcement measures. Such initiatives are in the scope of competence of the SAMR.

Good news for rights holders

The concomitance of the publication and entry-into-effect of the two regulations on collective/certification trademarks and GI products cannot be a coincidence. If any reflection or prediction may be made, it is that China is actively working on the creation of a unique protection system, addressing both trademarks and GI products. This would be good news for rights holders. But the work may take some time, as both rights differ in nature and there are some points of contradiction to resolve.



CHAPTER 3

Case Law

Beijing IP Court finds no bad faith in defensive trademark registration

Paul Ranjard & Nan Jiang,
first published by WTR

In a recently surfaced administrative decision, the Beijing Intellectual Property Court has sided with the applicant for a defensive trademark, finding no foul play in the applicant's conduct. Rendered on 26 December 2022, the decision considered whether the defensive trademark registration constituted a bad-faith application for a trademark that was not intended for use, which is banned by Article 4 of the 2019 China Trademark Law.

Background

On 21 July 2021 IMEIK Technology Development Co Ltd filed an application for the trademark 嗨体御肌

in Class 5. The application designated pharmaceutical preparations, medical fillers and injectable dermal fillers, among others. The examiner rejected the trademark application ex officio on the ground that IMEIK had filed applications for a significant amount of trademarks within a short period of time, and that the application at issue constituted a case of "application filed in bad faith without intention to use", in violation of Article 4.1 of the Trademark Law. The refusal decision was upheld in the ensuing review on 23 May 2022.

IMEIK initiated administrative proceedings before the Beijing Intellectual Property Court on 20 September 2022.

Decision

The court ascertained that IMEIK had been using the trademark 嗨体 on its dermal filler product named “sodium hyaluronate composite solution for injection”. Such use had generated a certain influence in the aesthetic medicine industry. The contested trademark 嗨体御肌 consisted of ‘ 嗨体 ’ and ‘ 御肌 ’, with the latter being a common descriptive term in the relevant industry. The court thus found that the contested trademark could be considered as an extension or a variant of IMEIK's existing 嗨体 trademark. The fact that IMEIK had applied for the registration of a total of 531 trademarks for various goods and services did not suffice to prove

that the contested trademark had been filed in bad faith.

The court repealed the review decision and ordered the China National Intellectual Property Administration to remake its decision. The CNIPA complied and the decision came into force. The contested trademark was published on 6 March 2023 and was approved for registration on 7 June 2023.

Comment

This decision indicates that, for the court, the purpose of IMEIK's application was to widen the scope of protection of its basic trademark. Such additional trademarks, sometimes called 'defensive trademarks', serve a purpose which is not illegitimate.

Since 2008 the number of trademark filings in China had been on an upward trajectory, increasing over twelvefold - with the number peaking at 9.45 million in 2021. This was largely due to the practice of 'trademark hoarding' - that is, filing a large number of trademarks for the sole purpose of using them in litigation and/or reselling them to a third party. Although the figure dipped to 7.52 million in 2022, the phenomenon of trademark hoarding remains a major problem. This trend prompted the CNIPA to adopt an extremely restrictive policy with regard to trademark examination, which resulted in a sharp rise in the refusal rate (excluding partial refusals). From 25.9% in 2020, the refusal rate rose up to 33.6% in 2022. Defensive trademarks, as defined above, unfortunately ended up

being collateral damage in the campaign against bad-faith trademark filings.

The decision should thus be welcome as it seemingly affirms that a large number of trademarks filings shall not be treated automatically as a case of "bad-faith filing without intention to use". It seems that some space is left for stakeholders to file trademarks for the purpose of extending the protection of their existing business. In the meantime, brand owners are advised to keep a close watch on whether the decision will usher in any favourable changes to the existing examination practice.

CNIPA recognises distinctiveness of Tommy Hilfiger's 'TH' interlocking pattern

Ruirui Sun, first published by WTR

Background

Tommy Hilfiger worked with celebrated British illustrator and graphic designer Fergus Purcell to introduce its brand-new monogram in 2022:

On 20 January 2022 Tommy Hilfiger filed applications for the registration of the above device mark in Classes 18 and 25. The CNIPA refused the applications, citing Articles 11.1.3 of China's Trademark Law (lack of distinctiveness).

Tommy Hilfiger filed an application for review, arguing as follows:

1. In the fashion industry, it is a common practice to use a monogram as a source identifier. Brands like Louis Vuitton, Gucci and Fendi all have their own monogram and have registered such patterns as device marks in China.
2. The mark applied for is formed by interlocking the letter 'T' with the letter 'H', with the 'T' referring to 'Tommy' and the 'H' referring to 'Hilfiger'.
3. It is artistically designed and is inherently distinctive. In addition, Tommy Hilfiger has extensively used its new monogram on a series of products and in brand publicity, so that consumers will identify the mark as originating from Tommy Hilfiger.

The registration and use of the mark conformed with the practice of the fashion industry. The refusal of the registration would prejudice the interests of Tommy Hilfiger and those of the public.

CNIPA review decision

On 6 June 2023 the CNIPA approved the registration of the mark.

A pattern mark - a trademark consisting of a set of elements that are recurrent and repeated regularly - is registrable in certain jurisdictions. Since pattern marks are not expressly listed as registrable trademarks in China's Trademark Law, brand owners often apply to register their monogram patterns as device marks. However, the registrability of such device marks is often challenged by examiners on the ground that they are overly complicated or purely decorative, so that they are devoid of distinctive features and could not function as a source identifier.

To overcome such a refusal, brand owners may argue that:

1. the mark applied for is inherently distinctive due to its individual design and originality; and/or
2. the mark has acquired distinctiveness through extensive use.

However, in practice, it is an onerous task to prove acquired distinctiveness. The examiners tend to see the recurrent use of a monogram as purely decorative, and not as a trademark used to indicate the source of the goods. In addition, the evidence required to prove acquired distinctiveness is usually on par with that required to demonstrate well-known status.

In 2021 the Beijing High Court handed down a decision in the administrative litigation concerning the review of the refusal of Burberry's device mark:

The court concluded that the evidence was insufficient to prove the acquired distinctiveness of the mark, based on the finding that Burberry had mainly used the mark as the exterior design of products, which did not constitute trademark use.

In the subject case, given the relatively short-term use of the 'TH' interlocking pattern and the difficulty of proving acquired distinctiveness, Tommy Hilfiger mainly focused on the inherent distinctiveness of the mark; further, it cited precedents in which similar marks had been registered to build its case. The CNIPA's finding that the mark applied for had intrinsic distinctiveness and could act as a source identifier shows that it still leaves the door open for the registration of pattern marks in a roundabout way.

Comment

If a pattern mark is found to be devoid of inherent distinctiveness and has not yet acquired distinctiveness, a compromise for brand owners would be to add a word element to the monogram or to apply for a single unit of the pattern to lower the risk of the mark being refused ex officio by the CNIPA.

CNIPA invalidates a copycat mark based on prior name right of a French designer

Ruirui Sun, first published by IAM

In an encouraging move for international trademark owners doing business in China, the China National Intellectual Property Administration (CNIPA) has invalidated a registered trademark on the basis of prior name rights, finding that the registration was made in bad faith, among others.

Constance Guisset is a famous French product and graphic designer, whose works have been presented in many internationally renowned design exhibitions.

On 23 August 2019, Chinese company Shenzhen Shengshi Yicai Lighting Co (Yicai Lighting) filed an

application to register the trademark CONSTANCE GUISSET in Class 20, which was published on 6 January 2020. Guisset tried to block this registration through opposition proceedings but ultimately failed. The trademark was approved on 13 May 2021, after which Guisset initiated invalidation proceedings.

The CNIPA published its Trademark Examination and Adjudication Guidelines in 2021, which outline the circumstances where prior name rights can be used to challenge a trademark:

- if the name has a certain degree of reputation and has an established relationship with a natural person with whom it is strongly associated by the relevant public;
- if registration of said trademark may cause harm to the person's name right; and
- if the disputed trademark was filed without the authorisation of the name right owner.

The CNIPA also explicitly asserts:

The scope of protection of a prior name right shall be determined on a case-by-case basis by factoring in the degree of reputation of the name and the degree of association between the goods or services designated by the trademark and the domains where the name right owner is known. Any trademark applicant that knowingly attempts to register another's name for the purpose of prejudicing the interests of

such person, shall be deemed as a prejudice on the name right of that person.

As a player in the lighting, furniture and import/export business, Yacai Lighting knew, or at least should have known, the name "Constance Guisset", yet it still sold a lamp incredibly similar to Ms Guisset's design and made a reference to her name in the product description. The filing dossier of Yacai Lighting also corroborated the fact that it is not a first-time trademark infringer, as it had also applied for several copycat lighting brands including "Oslo Wood".

On 27 June 2022, the CNIPA ruled to invalidate the registration of the CONSTANCE GUISSET mark on all designated goods, based on the following reasoning:

- in the evidence provided by the invalidation petitioner, it was revealed that before the trademark's application date, the name "Constance Guisset" was already associated with the petitioner, and was highly popular and influential in the furniture and home furnishing design industry, so Guisset has a claim on the prior name rights; and
- the adverse party registered "Constance Guisset" on furniture and other goods without authorisation to exploit her reputation in the industry, which could mislead the relevant public to believe that Yicai Lighting had an established business relationship with Guisset, thus further prejudicing the petitioner's prior name right.

> The registration of the disputed trademark was thus in violation of Article 32 of the Trademark Law.

Over the years, the CNIPA has become increasingly flexible in clamping down on bad-faith trademark filings, often weighing in on infringers' bad faith and applying the Trademark Law. Proving bad faith is therefore crucial in fighting against trademark infringers. Other than looking into filing activities, brand owners should keep an eye on the actual use of the copycat mark and how the filer promotes its business; the combination of these relevant facts may help to establish the filer's bad faith and build a stronger case.

LVMH successfully blocks copycat application incorporating its shield device in China

Ruirui Sun, first published by WTR

Background

Based in Switzerland, LVMH Swiss Manufactures SA ('LVMH Swiss') is a wholly owned subsidiary of the LVMH Group, offering luxury watches reflecting Swiss watchmaking excellence. TAG Heuer is a watchmaking pioneer and one of the eight brands under LVMH's Houses in the watches and jewellery sector.

LVMH Swiss owns the following trademark registrations in Class 14, among others:

TAG HEUER combination mark

Shield device on a black background

Shield device on a white background

On 15 December 2020 Xiaohui Cai, a natural person residing in Guangdong Province, filed for the registration of the trademark depicted below (No 52166954) in Class 14 in China:

Following the publication of the application on 20 May 2021, LVMH Swiss filed an opposition before the CNIPA.

CNIPA decision

The CNIPA refused to register the opposed trademark for all the designated goods on the ground that the goods covered the opposed mark were similar to those covered by the opponent's prior trademarks. Considering the high reputation of the cited trademarks and the similarity between the parties' trademarks as to their word arrangement,

design and overall visual effect, the co-existence of the parties' marks might mislead consumers as to the origin of goods. Thus, the opposed mark and the cited marks constituted similar signs for similar goods, which violated Article 30 of the Trademark Law.

The CNIPA's 2021 Trademark Examination and Adjudication Guidelines state as follows with regard to the assessment of the similarity of combination marks:

If the device parts of two trademarks are identical or similar, which may cause confusion among the relevant public as to the source of the goods or services, the two marks shall be deemed to be similar. However, where the devices in the trademarks are commonly used patterns for the designated goods, or mainly serve as ornamental or background elements in the trademark as a whole so that the device parts are of weak distinctiveness, and the overall meaning, pronunciation or appearance of the two trademarks are obviously different insofar as they are unlikely to cause confusion among consumers, the two trademarks shall not be deemed to be similar.

In the case at hand, the opposed mark incorporated the same shield device as LVMH Swiss' prior trademarks, but the word part ' 英吉纳 INKINO' was markedly different from 'TAG HEUER'. The opposition would thus not succeed if the examiner found the shield device to be a mere background or decoration element in the mark as a whole and referred to the aforesaid rule to rebut the similarity argument. In order to make a strong case, LVMH Swiss underlined and presented the following

arguments in the opposition:

- The shield device is an original creation and special design of LVMH Swiss. It is highly distinctive.
- Although the shield device has been incorporated in the TAG HEUER combination mark, the device has also been registered as a standalone mark and been widely used by Tag Heuer on the bezel, crown and bracelet of watches. Both the TAG HEUER combination mark and the shield device have a high reputation among consumers.
- The applicant had no genuine intention to use the opposed trademarks since online searches revealed the applicant had been offering more than 50 trademarks for sale.

The CNIPA found LVMH Swiss' arguments tenable and refused the registration of the opposed mark.

Comment

In trademark prosecution practice, trademarks combining words and devices have increasingly fallen victims to trademark squatting. By separating the device from the combination trademark and incorporating a different word mark, a trademark squatter can cunningly create an inconspicuous copycat mark that may slip through the CNIPA's examination, if the device mark is deemed to be purely an ornamental or background element.

As a countermeasure, brand owners are strongly advised to proactively register their devices, which are intrinsically distinctive, as standalone trademarks and, if possible, extensively use those devices on the designated goods and product packaging, as well as in various business settings.

Apart from citing Article 30 of the law, LVMH Swiss also raised the 'prior right' argument under Article 32 based on its copyrighted work of fine art over the shield device on a black background. Although the CNIPA dismissed the copyright claim, it could offer an alternative approach where the device of a brand owner's combination mark meets the originality requirement for copyrighted works.

Supreme Court awards New Balance Rmb30 million in damages in dispute with infringer

Jason Yao & Paul Ranjard,
first published by WTR

On 26 September 2023 the Supreme People's Court of China issued a final judgment finding that Jiangxi Xinbailun Lingpao Sporting Goods Co Ltd and Guangzhou Xinbailun Lingpao Sporting Goods Co Ltd (collectively 'Lingpao') had infringed the iconic 'N' trademark of New Balance and the trade dress of New Balance Trading (China) Co Ltd, a subsidiary of New Balance, and had thus committed acts of trademark infringement and unfair competition.

The court increased the amount of damages awarded in the first instance by the Liaoning High Court from Rmb5 million to just over Rmb30 million - a significant increase and a rarely seen amount in IP litigation in China. With this decision, New Balance has made a breakthrough in its series of legal actions against Lingpao's production and sale of infringing products, which began in 2015. After eight years of arduous struggle, New Balance has obtained favourable judgments from courts in Shenzhen, Guangdong, Beijing, Suzhou, Chongqing and other places, and has now achieved a significant milestone with this Supreme Court decision.

Background

Lingpao's infringing sports shoes were first introduced to the market in 2015. Both sides of the shoes used a logo that closely resembled New Balance's iconic 'N' trademark and decoration. Lingpao even succeeded in registering several trademarks with a letter 'N', which took New Balance seven years to invalidate. Lingpao also copied the designs, colours and models of New Balance sports shoes on many shoe models. The two defendants established branch offices, direct stores and authorised retail stores across the country, rapidly expanding to thousands of retail outlets. Their annual sales is believed to have exceeded Rmb1 billion in 2018.

New Balance initiated infringement actions in many places against the infringers and their distributors, obtaining cessation of the infringement

and compensation each time. Lingpao, however, continued the production and sale of the infringing goods, constantly changing the infringing entities, assigning their infringing registered trademarks, registering new infringing trademarks, and using various means (eg, raising jurisdiction objections and evading service of subpoena) to delay the litigation process.

Court action

New Balance filed the case with the Shenyang Intermediate Court on 16 May 2017. At that time, it was difficult to assess the real size of Lingpao's infringing business. The claim for damages was therefore limited to Rmb3 million - the limit for statutory damages provided by the then-Trademark Law. However, as information on the scale of the infringement was progressively revealed, New Balance was able to raise its claim to Rmb100 million, which led the Shenyang Intermediate Court to transfer the case to the Liaoning High Court in September 2018. Such transfer was, of course, challenged by Lingpao. The Liaoning High Court confirmed its jurisdiction and, finally, the Supreme Court confirmed the jurisdiction of the High Court on 20 December 2020.

The Liaoning High Court issued its first judgment on 29 November 2021. In spite of the huge amount of sales made by Lingpao over the years, as shown by the evidence produced, the court considered that no accurate assessment could be made. Due to the inability to obtain the complete production and sales records of the defendants, it was difficult

to calculate Lingpao's profits accurately. This was the main reason why the first-instance court applied the statutory maximum compensation (which had been raised to Rmb5 million after the fourth amendment to the Trademark Law).

Both parties appealed to the Supreme Court.

Supreme Court decision

The Supreme Court elaborated on the factors to consider in determining the amount of damages and the reasons justifying going beyond the statutory limit to determine the amount of compensation in cases where it is impossible to determine the defendants' infringement profits accurately.

The court pointed out that, if it is difficult to prove the specific amount of damages or infringing profits, but there is evidence showing that the aforementioned amount significantly exceeds the statutory maximum compensation, the compensation amount should be reasonably determined based on the overall evidence of the case, rather than simply by applying the statutory compensation.

Among such evidence, the Supreme Court took into account the statements made by Lingpao on its official website, WeChat public account and media reports announcing, on multiple occasions, sales of Rmb1 billion yuan in 2018. While Lingpao argued that these claimed

sales were nothing but promotional language, the court rejected such defence, considering that promotion should be based on objective facts and should not contain intentional concealment or exaggeration to obtain undue benefits. The court ultimately determined that Lingpao's annual sales amount amounted to Rmb1 billion and calculated the profits made by Lingpao from its infringing shoes by applying the profit margin of New Balance.

Additionally, the Supreme Court noted that Lingpao had constantly refused to provide relevant records of the production and sale of the infringing products. It was not until after the second hearing before the Supreme Court that Lingpao reluctantly submitted some unaudited financial data that were incomplete and lacked authenticity. Under such situation, the court took precedence of the evidence submitted by the plaintiff.

Another highlight of this case is the clarification of the boundary between registered trademarks and corporate names. Lingpao, which was established in 2015, had obtained the authorisation to use the trademark XIN BAILUN, registered by a third party. Lingpao, therefore, was using a corporate name very similar to that of New Balance's subsidiary, already very well known to the relevant public of China. In this regard, the Supreme Court considered that, even if the XIN BAILUN mark was licensed to Lingpao, this did not warrant Lingpao to use it in its corporate name in such a way as to create confusion. The court stressed that having exclusive rights to a registered trademark does

not automatically grant the right to use that mark as a corporate name, and vice versa. The court therefore ruled that Lingpao should change its corporate name to one that is not confusingly similar to the corporate name of New Balance's Chinese subsidiary.

TOMMY HILFIGER v TOMMY CROWN: ‘transformative use’ of registered trademark found to be infringing

Paul Ranjard, Yongming Fan & Yanfei Ren, first published by WTR

Background

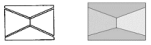
Tommy Hilfiger, the world-famous fashion brand, owns in China several trademarks in Class 25, namely:

- TOMMY HILFIGER (registered on 30 October 1988);
- a logo (registered on the same date):  ;
- a combination of both (registered on 28 April 2014): 

Tommy Hilfiger found out that a Chinese fashion company, Tommy Crown, was opening boutiques using a very similar trademark:

TOMMY CROWN

Further investigation revealed that the case, which looked like a pure copycat case, might be more complex than anticipated. Indeed, it was found that the Chinese company had purchased two trademarks, representing a simple white-and-grey logo, which had been registered since 2010:



Besides, the company had obtained the registration in 2015 of another trademark:

Tommycrown

It had also applied in 2018 for the registration of the mark below:

TOMMY CROWN

By adding a simple touch of red to its registered logo and by combining this slightly modified logo with the registered trademark TOMMYCROWN, also modified by separating the two names, the Chinese company had created an obvious copycat. Yet, all the elements of this infringing trademark were registered, albeit in a slightly different form.

The complaints filed with the Administration of Industry and Commerce were not accepted since the enforcement agency was reluctant to take action against registered trademarks. Filing a lawsuit before the court was not an easy solution either.

The challenges of filing a lawsuit against a registered trademark

According to the "Interpretation of the Supreme People's Court on Issues Concerning Civil Disputes between Registered Trademarks or Enterprise Names and Prior Rights" (1 March 2008), People's courts may not accept lawsuits filed against a registered trademark. The plaintiff must first obtain the invalidation of the registered trademark by initiating an administrative procedure. There are, however, two exceptions to this rule:

- when the allegedly infringing mark is used on goods other than those designated by the registration; or
- when, by "changing the distinctive features of, or splitting or combining" a trademark, it becomes identical or similar to another registered trademark - such practice is commonly called 'transformative use'.

The issue in this case was whether adding a little spot of red on the logo and splitting the words 'Tommy' and 'Crown' would be considered sufficient to overcome the prohibition enacted by the Supreme Court in its interpretation.

Civil lawsuit

On 10 September 2019 Tommy Hilfiger lodged a civil lawsuit against Tommy Crown with the Shenzhen Intermediate Court, adding as co-defendant the landlord of the shopping mall where the shop was located. It was established that the landlord had an active role in the promotion of the infringing goods (eg, warehousing, promoting online and shipping to customers, all these services being rendered against a remuneration based on turnover).

As expected, Tommy Crown argued that its use of the allegedly infringing marks was protected by the registrations for TOMMYCROWN and its logo.

On 29 April 2021 the Shenzhen Intermediate Court recognised that use of the accused mark constituted a 'transformative use' of the registered trademarks cited by the defendants and, therefore, infringed Tommy Hilfiger's registered trademarks. The court also found that, although the landlord had examined Tommy Crown's trademark registrations and licensing chain, its duty of care was higher than if it had simply collected a rent. It had failed to supervise the business activities in the mall and allowed Tommy Crown's infringing business for nearly one year. The court thus found that the landlord should be held jointly and severally liable for part of the infringement.

Based on the above, the court issued a permanent injunction and

awarded damages of Rmb5.4 million against Tommy Crown (the landlord was jointly and severally liable up to Rmb102,735).

Tommy Crown appealed to the Guangzhou High Court but, on 4 November 2022, the court upheld the first-instance judgment.

Comment

This case is not isolated. The attention of the Chinese authorities has long been drawn to this extremely malicious practice, which consists of filing a trademark that is remotely similar to a prior registered trademark and, once the mark is registered, transforming it through actual use and revealing its similarity with the prior registered trademark. These cases are always difficult to solve, especially when the infringer, instead of filing a new trademark, purchases an 'old' trademark which has been registered for more than five years and is thus protected against invalidation (as Tommy Crown had done).

Article 49 of the Trademark Law provides that, where a registered trademark is 'unilaterally altered', the Trademark Office shall issue a notice of rectification and, if the registrant does not carry out the rectification within a certain period of time, the office may cancel the trademark. However, the Trademark Law does not address the situation where the 'unilaterally altered' trademark becomes infringing.

It has been suggested to the authorities that the owner of the prior

trademark should be allowed to file an invalidation action against the registered trademark at issue. Such action would be based on Article 7 of the Trademark Law, which provides for the principle of good faith when filing and using trademarks. So far, the response has been negative.

In the draft revised Trademark Law that was recently circulated, Article 49 (renumbered 64) adds an administrative sanction to the act of 'unilateral alteration' of a registered trademark (a fine of not more than Rmb100,000). In the comments to this article, it has been argued that there seems to be a confusion between 'alteration' and 'passing off': indeed, either the said alteration does not change the visual significance of the mark (in which case there is no problem), or the modification has a significant impact and, in fact, creates a new, unregistered trademark. As such, using an unregistered trademark is not illegal. It is only if the user pretends that the mark is registered that the sanctions against 'passing off' should apply.

The second paragraph of the new Article 64 deals with 'alterations' that create a situation of infringement (as in the present case), and provides that the case should be handled by the administrative enforcement authority, like any other infringement. This is certainly welcome, but - as mentioned above - the invalidation of the original mark used for the infringement should also be sought.

Hubei High Court upholds 10-million yuan damages award to Michelin for misuse of Cantonese name

Binbin Du & Paul Ranjard,
first published by IAM

On 8 November 2023 the Hubei High Court issued a judgment in the long-running Michelin saga, upholding the first-instance decision and clarifying some interesting aspects about well-known status of trademarks in China (2022 E Zhi Min Zhong no 190).

The word 'Michelin', which is the name of a French company that is famous for its tyres and Michelin Guide, is translated in Mandarin as ' 米其林 ' in Chinese – pronounced "Mi Qi Lin". In Hong Kong, the

Cantonese name of Michelin is ' 米芝莲 ', which is pronounced "Mi Zhi Lian".

In 2015, Michelin discovered that Shanghai Mi Zhi Lian Catering Management not only registered ' 米芝莲 ' (Mi Zhi Lian) as a trade name but also attempted to register the name as a trademark, and a chain of restaurants franchised by Shanghai Mi Zhi Lian were using Mi Zhi Lian as a trademark. Michelin engaged in various opposition and invalidation procedures and in 2018 finally sued Shanghai Mi Zhi Lian and one of its franchised restaurants before the Wuhan Intermediate Court on the grounds of trademark infringement and unfair competition.

On 16 August 2021, the court issued a judgment determining that the use of the mark MI ZHI LIAN and domain name 'shmizhilian.com' constituted trademark infringement and the use of Mi Zhi Lian as a trade name constituted unfair competition (2018 E 01 Min Chu no 3552). The court ordered the defendants to stop such use and pay 10 million yuan in damages. The franchised restaurant was found jointly liable for damages of up to 20,000 yuan.

The defendants argued that they were using a different Chinese name than the Chinese name that Michelin uses in China. The court opined that a singular foreign name may have two or more transliterations or pronunciations within one country's jurisdiction. The fact that 'Mi Qi Lin' in Chinese is widely acknowledged and used as the Chinese transliteration of Michelin in mainland China does not mean that 'Mi

Zhi Lian' in Chinese cannot also be a valid Cantonese transliteration of Michelin. The court affirmed, therefore, that both transliterations have a special association with Michelin and that using the Cantonese name constituted infringement of the Mandarin Chinese name.

The defendants also argued that it was inappropriate for Michelin, which had registered its trademark in Class 43 (catering services), to base its claim on the well-known reputation of its trademark registered in Class 12 (tyres). The court disagreed with this argument and specified that referencing the well-known status of a trademark that is registered in a brand owner's core business should in fact be encouraged. Otherwise, brand owners would be obliged to register their trademark in multiple or even all classes rather than seek well-known trademark (WKTM) protection based on the mark's reputation. This would breach the original objective of the WKTM protection regime and would inappropriately invite brand owners to register more defensive trademarks.

Finally, the defendants argued that Michelin had waited too long to exercise its right (three years after becoming aware of the infringement) and indirectly had acquiesced the defendants' use of the trademark. The defendants claimed that during these years, they had built a legitimate market share and that it was unfair to sue them after all this time. The court noted, however, that Michelin had been proactively filing oppositions against Shanghai Mi Zhi Lian's trademark applications and had also filed invalidation requests against a few trademarks that had survived opposition proceedings. These actions corroborated the fact

that Michelin did not acquiesce in the registration and use of the MI ZHI LIAN trademark. The court added that Shanghai Mi Zhi Lian, which was aware that its trademarks applications were being challenged, took the risk of continuing to use the accused mark. Therefore, the defendant's so-called 'market share', formed on the basis of trademark infringement and unfair competition, should not be protected.

The defendants appealed and on 8 November 2023 the Hubei High Court issued a judgment, upholding the first instance decision (2022 E Zhi Min Zhong no 190). Further, the court provided negative comments on Shanghai Mi Zhi Lian's appeal without new facts or grounds, which increased Michelin's expenses.

Key takeaways

This decision is particularly interesting because it encourages the use of the well-known trademark status rather than resorting to defensive trademarks. Such defensive trademarks would not be necessary if WKTM protection rules were easy to apply on a case-by-case basis, which is provided by Chinese law.

Beijing High Court invalidates trademark pre-emptively registered by squatter under Article 15(2)

Huimin Qin & Nan Jiang,
first published by WTR

- Article 15(2) addresses bad-faith cases where a trademark applicant had "contractual, business or other relations" with the owner of an unregistered mark
- The defendant, having requested product quotations from the plaintiffs, had had business contacts, or at least "other relations", with them
- The registration of the contested mark for goods identical or similar to those covered by the plaintiffs' mark violated Article 15(2)

On 12 June 2023 the Beijing High Court rendered a decision finding that a trademark squatter that had not entered into business relations with the brand owner should be deemed as having “other relations” with the latter, as prescribed by Article 15(2) of the 2013 China Trademark Law. This clause was added to the law in 2013 to address cases of bad faith where a trademark applicant, even though it is not the agent or representative of the owner of an unregistered trademark, had "contractual, business or other relations" with it, so that it would “definitively know of the existence of this trademark”.

Background

On 31 August 2016 Hefei Haichang Electrical Technology Ltd (‘Haichang’) filed a trademark application for the sign RAYCAP (depicted below) for “counters, power supply material (wires, cables), distribution boxes (electric), surge protective devices, lightning rods and lightning arresters” in Class 9. The sign was registered on 28 October 2017.

This mark was already used, but not registered, in China for lighting arresters and other products, by Raycap Intellectual Property Ltd (Raycap IP) and Suzhou Raycap Protective Device Ltd (Suzhou Raycap). Raycap IP and Suzhou Raycap filed a request for the invalidation of the contested trademark, citing Articles 15(2), 32 and 44(1) of the 2013 Trademark Law.

Decisions

On 3 June 2020 the China National Intellectual Property Administration (CNIPA) ruled in favour of Haichang and maintained the registration of the contested mark for all designated goods. Raycap IP and Suzhou Raycap brought an administrative lawsuit before the Beijing IP Court, but later dropped the claim based on Article 44(1).

On 24 September 2021 the Beijing IP Court partially upheld the plaintiffs' claims on the following grounds:

Prior to the application date of the contested trademark, the plaintiffs had already used the RAYCAP trademark on lightning arresters and other products, and Haichang, having requested and received product quotations from Suzhou Raycap, had had business contacts, or at least "other relations", with the plaintiffs and was clearly aware of their existence.

The contested trademark was identical to the plaintiffs' RAYCAP trademark, and the designated goods "power supply material (wires, cables), distribution boxes (electric), surge protectors, lightning rods and lightning arresters" were either identical or similar to those covered by the plaintiffs' mark due to their close association in function. Therefore, the registration of the contested trademark for these goods violated the provision of Article 15(2) of the law; however, the registration of the mark for the remainder of the goods (counters), which were dissimilar to the

plaintiffs' lightning arresters, did not.

Moreover, the court held that the registration of the contested trademark for the same or similar goods also infringed Raycap IP's earlier trade name rights and earlier used trademark, which had generated a certain influence in terms of lightning arresters in China (Article 32).

The Beijing IP Court thus ordered the CNIPA to remake its decision. The CNIPA appealed and the appeal was dismissed by the Beijing High Court.

Comment

This case is an example that "other relations" under Article 15(2) could serve as a catch-all clause for owners of earlier trademarks to fall back on, when the latter can prove that the squatters had knowledge of the trademarks based on their sporadic interactions, or even a one-off exchange, which do not qualify as contractual or business relations.

Chinese courts sanction Ford's misuse of 'Cognac' on automobiles

Wei He, first published by WTR

The dispute involved the Bureau National Interprofessionnel du Cognac (BNIC) - the French organisation responsible for promoting and safeguarding the geographical indication (GI) 'Cognac' - and the Chinese affiliates of Ford Motor Company, a prominent automotive supplier (hereinafter referred to as 'Ford China').

Background

In 2018 Ford China launched a series of vehicles under the name 'COGNAC Special Edition' (as shown

below), including models like the ‘EcoSport COGNAC Special Edition’ and ‘Mondeo EcoBoost 180 COGNAC Special Edition’.

These vehicles were promoted on Ford China's official website and other media. The marketing campaign went as far as using the tagline of "Not all brandies are Cognac, not all Fords are Cognac", which inappropriately leveraged Cognac's prominent position on the brandy market to promote the premium quality of the Ford Cognac series of vehicles. In addition, Ford China used ‘COGNAC Brown’ to refer to the colour of the interior decoration of these vehicles.

The BNIC filed a civil lawsuit to challenge such use by Ford China on the basis of its ‘GI product’ registration for ‘Cognac’ with the Administration of Quality Supervision Inspection and Quarantine, now the China National Intellectual Property Administration (CNIPA). In the absence of a specific GI law, the BNIC based the action on the Anti-unfair Competition Law.

Decisions

The case was initially heard at the Suzhou Intermediate People's Court (with a first-instance decision being rendered on 23 November 2020) and subsequently appealed to the Jiangsu Provincial High People's Court (with a second-instance decision being rendered on 9 August 2023). Both courts arrived at the same conclusion: Ford China's actions constituted unfair competition. The legal reasoning behind the decision was multi-faceted:

- Protection under the Anti-unfair Competition Law: the court clarified that GIs can seek protection under China's Anti-unfair Competition Law by resorting to the general principle of good faith, as stipulated in Article 2 of the law. This aligns with the TRIPs Agreement, to which China is a signatory, which provides legal means to prevent unfair competition concerning GIs.
- Existence of a competitive relationship: although Ford China and the BNIC operated in different industries, the court emphasised that they were in a competitive relationship. This is because both vie for consumer attention in a broad sense.
- Insufficient evidence of genericide: Ford China attempted to justify its infringing use by arguing that 'Cognac' had become a generic term. However, the court found that the evidence provided was insufficient to support this claim, especially within the context of the Chinese market.
- Establishment of unfair competition: the court ruled that, by using

the term ‘Cognac’, Ford China was exploiting the reputation of a protected GI to elevate its own brand, thereby gaining an unfair competitive edge. Such behaviour could cause other harms, such as increasing the risk of genericisation of the GI and reducing the opportunities for the GI owner to engage in cross-class business cooperation.

Comment

The case serves as a pivotal legal precedent for right owners searching for civil remedies in cases involving GIs registered as GI products in China. Not only does it confirm that GI products registrants may act on the basis of the unfair competition law, more importantly, it also considerably extends the concept of ‘competitive relationship’. This is not without similarity with the very broad EU concept of ‘evocation’, which is specific to the protection of GIs: a simple ‘association’ in the mind of the consumer is sufficient to trigger protection. The products or services concerned do not even need to be similar.

While the finding concerning the absence of genericity is satisfactory, it may be pointed out that, according to EU regulation, a protected GI (unlike a trademark) can never become generic.

In summary, the present case offers valuable insights on future GI protection practice in China.

Michelin's well-known trademarks protected against use for pet food and pet hospital

Binbin Du & Paul Ranjard,
first published by WTR

Michelin tyres and the Michelin Guides are the two core product lines of the Michelin Group. The increasing popularity of Michelin in China recently led the company to take enforcement measures not only against tyre manufacturers or restaurants and catering businesses, but also against pet-related products and services.

Pet food case

In 2020 Michelin discovered that several types of cat and dog food product were sold with packaging

bearing signs such as MICHELIN, MICHELIN SERIES, MICHELIN PAROTID GLAND, 米其林 (the Chinese equivalent of MICHELIN), 米其林法餐系列 ('MICHELIN French cuisine series') and 米其林法餐 T 系列 ('MICHELIN French cuisine T series').

After investigation, it was found that three companies were involved: Shanghai Tang Shi Mei Jia International Trading Co Ltd, Shandong Han Ou Biotechnology Co Ltd and Hangzhou Chong Mei Trading Co Ltd.

In December 2021 Michelin sued the three companies before the Hangzhou Intermediate People's Court, requesting cross-class protection

for its well-known trademarks 米其林 (MICHELIN in Chinese) and MICHELIN, registered in Classes 12 (tyres) and 16 (Michelin Guides).

In December 2022 the court issued a judgment ((2021) Zhe 01 Min Chu No 3020) determining that the trademarks MICHELIN and 米其林 registered in Class 16 are well known and that the defendants had infringed such trademarks. The court ordered the defendants to pay an aggregate amount of Rmb500,000 to compensate Michelin for its economic losses, splitting the liabilities among the defendants according to their respective activities in terms of production and sales.

In the judgment, the court determined that, although the infringers were using their own trademarks on the infringing products, the presence on pet food of Michelin's trademarks, which are famous in relation to the rating of high-end restaurants, was likely to harm the reputation of Michelin's trademarks. The court thus ordered the defendants to make a public announcement in that respect.

The above judgment is final.

Pet hospital case

In 2021 Michelin discovered that a company called Jiu Chong Pet Hospital was using the words ' 米其林宠医 ' ('Michelin Pet Hospital') on its signboard and interior decoration, as well as in its online store.

In December 2021 Michelin sued Jiu Chong Pet Hospital before the Hangzhou Intermediate People's Court on the basis of its trademarks MICHELIN and 米其林 , registered in Class 12 (tyres), claiming cross-class protection for its well-known trademarks.

In December 2022 the court issued a judgment ((2021) Zhe 01 Min Chu No 2931) determining that 米其林 and MICHELIN in Class 12 are well-known trademarks, and that the use of such marks for a pet hospital constituted an act of infringement. Damages were awarded in an amount of Rmb100,000.

The above judgment is final.

Comment

The above two judgments are new milestones in the protection record of Michelin's well-known trademarks, with the court confirming that their scope of protection may cover very different types of activities, such as pet-related goods and services.

In the pet food case, the court also found that using a trademark known for high-end human dining on pet food damaged the reputation of the trademarks and ordered the defendants to publish a statement to eliminate the negative impact of their actions. In practice, there are not many cases in which courts assent to such request. For example, in the Jindian sanitary product case ((2019) Yu 01 Zhi Min Chu No 1097), the court found that the JINDIAN trademark, registered for milk, constituted a well-known trademark; therefore, the defendant's use of JINDIAN on sanitary products weakened the distinctiveness of the plaintiff's JINDIAN mark and improperly utilised the market reputation of that mark. However, the court did not support the plaintiff's request that the defendant should publish an apology statement to eliminate the impact of its actions. Therefore, the Hangzhou Intermediate People's Court's findings and judgment in the pet food case will have a strong referential significance for similar cases.

Hermès awarded RMB 2 million in damages for misuse of its trademark and iconic design elements by real estate developer

Wen Cui & Wei He,
first published by WTR

Background

Hermès is a prestigious French fashion house. Since 1837, it has remained faithful to its artisanal model and humanist values. The Hermès brand and the iconic commercial designs associated with Hermès enjoy a high reputation around the world.

In China, luxury goods are frequently used as gifts in the promotion of real estate property to create a

high-end image of the real estate projects. However, with competition now reaching fever pitch, some real estate developers are seeking to piggyback on the reputation of luxury brands to influence the buying decision of consumers. The Hermès case is a live example that may offer brand owners some guidance on how to hold free-riders accountable.

The Hermès case

In 2020 Hermès found that a Chinese company, Shandong Hu Gang Construction Real Estate Development Co Ltd ('Hu Gang Company'), had developed and promoted a real estate project called "Hugang Center". Hu Gang Company named its apartments "Hermès Theme Apartment", which blatantly used the house mark of Hermès. It also used Hermès' trademark in promotional material (eg, posters, brochures and advertisement) and extensively displayed Hermès' iconic design elements (eg, the colour orange, the letter 'H' and the 'horse and carriage' device), as well as Hermès-branded products, in the interior decor of the sales centre and prototype apartment, as shown below:

Advertising "Hermes apartments"	"Hermes style" prototype apartment
	

Hermès sued Hu Gang Company before the Qingdao Intermediate Court, alleging that:

- the use of its trademark constituted trademark infringement; and
- the use of its iconic design elements and products constituted unfair competition.

Main defence arguments

With regard to trademark infringement, Hu Gang Company alleged that the leather products covered by Hermès' registered trademarks and the real estate-related services that it offered were markedly different. Even if Hermès' trademark, as depicted below, and the Chinese equivalent of HERMÈS (爱马仕) have reached well-known status, the scope of protection of such marks cannot be extended limitlessly to cover real estate-related services.

Figure 1

With regard to unfair competition, Hu Gang Company alleged that:

- Once products are sold, Hermès has no right and no control over the way in which they are used by others; hence, the display of

Hermès products in its sales centre was legitimate.

- The alleged design elements (eg, the colour orange, the letter 'H' and the 'horse and carriage' device) are common elements that fall within the public domain; no one shall have a monopoly over such elements, including Hermès. Therefore, use of these elements did not constitute unfair competition.

Trial court decision

The Qingdao Intermediate Court rendered the following judgment on 28 August 2022:

- The evidence adduced by Hermès was sufficient to demonstrate that its trademarks - Figure 1 above and 爱马仕 - have reached well-known status; the use of these trademarks by the defendant in the promotion of real estate projects would cause confusion among the relevant public. Therefore, trademark infringement was established.
- Hermès' iconic design elements - including the colour orange, the letter 'H' and the 'horse and carriage' device - have become associated with Hermès and enjoy a high reputation among the relevant public. Rather than just using one or two of these design elements, the defendant slavishly copied all of them, which, in combination with the use of the HERMÈS house mark and Hermès-branded products, showed the unmistakable bad faith of the defendant and its intention to create confusion among

consumers. The malicious use of these iconic elements and of Hermès-branded products could evoke an association with Hermès, thus providing the defendant with an unfair competitive edge. Therefore, unfair competition was established as well.

The court thus ordered the cessation of such use and awarded Hermès damages in the amount of Rmb2 million. The defendant has appealed to the Shandong High Court and the case is now pending.

Comment

Due to its unparalleled position in the luxury world, the Hermès brand has become synonymous with top-level quality and is frequently misused by players in an array of industries for promotional purposes. It is thus inevitable that Hermès must resort to cross-class protection to prevent such misuse.

The court decision reaffirms that obtaining well-known trademark recognition is the best way to enjoy cross-class protection, even if the contested goods/services are markedly different.

The court also acted innovatively in granting protection to Hermès' iconic design elements on an unfair competition basis. This demonstrates the increasing willingness of the Chinese courts to acknowledge the significance of iconic designs, especially when dealing with bad-faith infringers.

District court rules in favour of Tesla against second-hand car dealer

Nan Jiang & Paul Ranjard,
first published by WTR

On 10 April 2023 the Tianxin District Court of Changsha, Hunan Province, rendered a first-instance decision in civil proceedings between Tesla (Shanghai) Limited and a second-hand car dealer, the Changsha branch of Tesila Used Cars (Guangzhou) Ltd.

Background

Tesla (Shanghai) Limited is the licensee of US-based Tesla Inc, which owns trademarks including:

- the word mark TESLA;
- the iconic 'T' device;

- the mark 特斯拉 (TE SI LA, the Pinyin transliteration of TESLA); and
- the combination of the 'T' device and the mark TESLA.

The marks are all registered in Classes 12 ("motor vehicles for land, aviation, waterway or railway use, electric vehicles") and/or 37 ("vehicle maintenance and repair").

Tesila is a car dealer selling second-hand Tesla cars. Tesila prominently uses the same device as Tesla and the same three characters ('Te Si La') in its trade name, on its signboard and on its promotional material and interior decoration:

Further, Tesila claims to be "the only nationwide chain franchise of Tesla second-hand cars".

Tesla sued Tesila for trademark infringement, copyright infringement and unfair competition, requesting cessation of use and damages of Rmb500,000 (inclusive of reasonable costs), among other things.

The defendant unsurprisingly responded with a defence based on the general principles of 'exhaustion of rights' and 'fair use'. It argued that it had the right, and even that it was necessary, to use the TESLA mark since it was providing services in relation to the sale of authentic (second-hand) products.

Decision

Trademark infringement

The court did not accept the defendant's arguments:

- The court noted that the affiliated company of the defendant's parent company had filed scores of trademarks that were either a slavish copy or an imitation of the plaintiff's registered trademarks, which substantiated its bad faith. The fact that Tesila was a professional company with a high awareness of Tesla's reputation made its bad faith even more obvious. The court thus ascertained that the use of the trademarks was intended to directly promote the services provided by the defendant, rather than to indicate the products in relation to which the services were provided. Therefore, 'trademark use', as defined by the Trademark Law, could be established.

- The court affirmed that, given the very high reputation and intrinsic distinctiveness of the plaintiff's trademarks, and considering the almost identical consumer groups, sales methods and sales channels, as well as the high likelihood of confusion, the defendant's services were similar to the plaintiff's designated goods and services.
- The court also commented on the issue of fair use, enumerating three parameters to assess whether there is fair use: 1) the use is justified and in good faith; 2) the use is absolutely necessary to indicate the source of the goods or services; and 3) the use will not cause confusion, which includes a likelihood of confusion as to the identity of the business operator. The court affirmed that the defendant's prominent and extensive use of identical or similar signs was likely to lead the relevant public to associate the defendant with Tesla, and misconstrue that the defendant, with the authorisation or licence of the plaintiff, was an accredited dealer of Tesla second-hand cars or a dealer with a close association with Tesla.

The court therefore found that trademark infringement could be established.

Copyright infringement

The defendant challenged the originality and copyrightability of Tesla's device. This defence was dismissed.

The court found that the work was a device consisting of the stylised letter 'T', lines and colours. The combination was of artistic aesthetic value, was original and should be deemed as a copyrightable work of fine arts. The court further held that the defendant's unauthorised use of the work prejudiced the plaintiff's copyright.

Unfair competition

The court found that the Tesla brand had generated a "certain influence", as provided by the Anti-unfair Competition Law (Article 6). The defendant's use of the litigious trade name, which was identical to the plaintiff's registered trademark and trade name, was likely to mislead consumers into believing that the defendant was an affiliate of Tesla or was otherwise associated with Tesla, thus causing confusion. The court therefore found that unfair competition could be established.

As to the statement "The only nationwide chain franchise of Tesla second-hand cars", which the defendant used in its business promotion, the court opined that the use of 'only' - a word of an absolute nature - intended to underline an association with Tesla. The ordinary consumers, with a normal level of cognition and logic, would infer from such statement that the defendant was either directly operated by Tesla or somehow associated with Tesla. Such misunderstanding would help the defendant gain a competitive edge, which constituted unfair competition.

Conclusion

The court ruled in favour of the plaintiff on almost all the claims, affirming trademark and copyright infringement and unfair competition, and awarding damages of Rmb300,000.

Comment

The expected defence was, of course, that the defendant was selling authentic second-hand cars - but why would Tesla complain about the use of its name in relation to the sale of its own cars? To reject such defence, the court made a thorough analysis of all the circumstances revealing the bad faith of the defendant, and such analysis enabled the court to assert that the defendant was not in a situation of fair use. The attention paid by the Chinese courts to the good/bad faith of the defendants is becoming a clear trend, which is worth noting.

Wenzhou Court: Voice activation command prompt of Xiaomi merits protection under Anti-Unfair Competition Law

Ye Cai

“ 小爱同学 ” (Xiao Ai Tong Xue) is the name which was originally used for Xiaomi’s smart speaker when it was launched in July 2017. It later became the name of Xiaomi’s AI-powered voice interaction product as well as voice activation command prompt. In August 2017, a Chinese person surnamed CHEN applied for the registration of “ 小爱同学 ” as a trademark. Until June 2020, CHEN filed for 66 marks in 21 classes and, after obtaining the registration, he sent Cease and

Desist letter demanding Xiaomi to cease the use of the mark. CHEN then began to use the mark on watches and clocks. Xiaomi initiated a court action against CHEN and his affiliated company before the Intermediate Peoples' Court of Wenzhou ("Wenzhou Court").

Wenzhou Court issued a 1st instance civil judgment on December 14, 2023, affirming that Xiaomi's voice activation command prompt should be protected under the Anti-Unfair Competition Law. The court found that CHEN's massive trademark squatting behavior and the sending of C&D letter to Xiaomi breaches the good faith doctrine and prejudices Xiaomi's rights and interests, for which it constitutes unfair competition. Wenzhou Court awarded Xiaomi RMB1.2 million for commercial loss and reasonable expenses.

The judgment has taken effect. It has been listed as an exemplary case by the Supreme People's Court for: 1) confirming that the voice activation command prompt is protected by the Anti-Unfair Competition Law and 2) tackling bad-faith trademark rights acquired by unfair means.

Court finds malicious trademark squatting constitutes unfair competition

In the ReFa case, the court found straightway that the defendant's behavior of filing numerous identical and similar trademarks on the relevant goods constituted unfair competition, thus ordered the defendant to withdraw the trademark applications and to revoke all the bad faith trademark registrations.

Facts

Established in Japan in 1996, the plaintiff, MTG Corporation, is a provider of beauty devices and related products. In 2012, the company entered the Chinese market, producing and selling ReFa branded beauty devices, massagers, hair dryers, and other products.

The five defendants in this case are closely linked entities with cross holdings and executive roles filled by the same individuals, creating a highly interconnected management structure. These defendants coordinated their roles in committing trademark infringement and unfair competition against the plaintiff, forming a complete chain of such activities. Specifically:

- Defendant 1, Zhejiang Pusu Electric Co., Ltd., was responsible for producing infringing hair dryers and facial cleansers.
- Defendant 2, Ningbo Zhizhi Electric Co., Ltd., handled the sales of the infringing hair dryers and facial cleansers.
- Defendants 3-5, Ningbo Qicai Holdings Co., Ltd., Ningbo Quandu Network Technology Co., Ltd., and Ningbo Jiden Electronic Technology Co., Ltd. were involved in extensively registering the "ReFa" and " 黎珐 " trademarks in multiple classes, providing legal grounds for the other defendants' actions.

Before initiating civil lawsuits against the defendants, the plaintiff challenged the trademarks registered by defendants 3-5 through numerous opposition/invalidation procedures. The CNIPA determined that these trademark registrations violated the principles of good faith, thereby disrupting the order of trademark registration, leading to decisions disapproving the registration or invalidating the "ReFa" and " 黎珐 " trademarks. Despite this, the defendants continued their trademark infringement and squatting activities.

At the end of 2022, MTG Corporation sued the defendants for trademark infringement and unfair competition. The plaintiff sought orders for defendants 1 and 2 to cease trademark infringement, and for defendants 3-5 to stop squatting on trademarks and engaging in unfair competition.

Additionally, the plaintiff demanded joint compensation from all five defendants for economic losses in three categories: 1) trademark infringement, 2) costs associated with administrative proceedings challenging the copycat trademarks, and 3) reasonable expenditures related to this case. The expenses incurred in the administrative proceedings involved 29 opposition/invalidation cases, administrative litigation, and supplementary registration costs covering seven classes of the “ReFa” and “ 黎珐 ” trademarks.

First instance:

On December 28, 2023, the Ningbo Yinzhou District People's Court rendered the judgment [(2023) Zhe 0212 Min Chu 4045] ruling that:

- The five defendants involved committed joint infringement.
- Defendants 1 and 2’s actions constituted trademark infringement, while defendants 3-5 were found to constitute unfair competition by means of hoarding trademarks and piggybacking on the plaintiff's brand reputation, thus violating principles of good faith and damaging the plaintiff’s interests.
- The court ordered defendants 1 and 2 to immediately stop the trademark infringement and defendants 3-5 to cease applying

for trademarks identical with or similar to MTG Corporation's “ReFa” and “ 黎珐 ” trademarks, including withdrawing pending applications and revoking registered trademarks.

- The court also ordered the defendants to jointly compensate the plaintiff RMB 650,000 yuan for economic losses and reasonable expenses.

No appeals were filed following the judgment, making it final and enforceable. As of now, all compensation has been fully executed, and the defendants have also completed the revocation and withdrawal of other similar trademarks.

Plaintiffs' subjective intentions underlined in infringement counterclaim ruling

Nan Jiang & Paul Ranjard,
first published by IAM

A decision rendered by the Putuo District Court of Shanghai in October 2022 has been freshly published by IPHouse, bringing it centre stage once more. In this, court dismissed a trademark infringement suit and partially upheld the defendant's counterclaim by awarding 70,000 yuan in attorney fees. This decision is a crucial one because it highlights that the courts are paying increasingly close attention to plaintiffs' subjective intentions.

Case details

Shanghai Yi Kun Building Materials is the exclusive

licensee of the 樱花 & DEVICE trademark (the Chinese characters mean 'cherry blossom'), which is registered in Class 19 (refractory materials).

Shanghai Yi Kun Building Materials

Shanghai ABM Rock Wool is the owner of the 樱花 trademark, which is also registered in Class 19 but for rockwool products. These two Chinese characters are the same as those appearing on Yi Kun's mark.

樱花

Shanghai ABM Rock Wool

On 13 September 2021, Yi Kun sued Shanghai ABM Rock Wool and its subsidiary before the Putuo District Court of Shanghai, alleging that ABM's use of the mark 樱花 on its rockwool products infringes upon Yi Kun's 樱花 & DEVICE trademark and requesting cessation of trademark infringement, destruction of infringing goods and damages of 1 million yuan.

ABM categorically denied the infringement allegations. First, it argued that rockwool products are not refractory materials even if they both

require a fire resistance test. Second, ABM showed that the two trademarks are not similar: Yi Kun's mark is a device representing a cherry blossom – with the two Chinese characters occupying a very small part of the space – while ABM's trademark is made up of only these two characters. Therefore, ABM not only denied any wrongdoing but also responded with a counterclaim for its attorney fees (100,000 yuan) and requested that Yi Kun be responsible for the legal costs.

The court decision

The court sided with ABM on both fronts.

On the infringement matter, the courtfound that ABM uses its registered trademark with the product name "Rock Wool" prominently displayed on the goods designated by the registration, which constitutes proper use. The court then held that even if rockwool products undergo a fire resistance test, which is a common feature with refractory products, they do not belong in that category. Therefore, trademark infringement could not be established.

With regard to ABM's counterclaim, the court decided that Yi Kun had abused its right to sue, based on the following findings:

- Yi Kun had intentionally isolated the ‘ 樱花 ’ part of its mark and used this sole element on rockwool products, which are not even designated by the mark; and

- Yi Kun had attempted – and failed – to register marks similar to ABM's 樱花 trademark, showing an intention to freeride on ABM's goodwill.

Further, the court noted that in June 2020, Qingpu District Administration for Market Regulation of Shanghai had imposed a 50,000 yuan fine on Yi Kun for the infringing use of ABM's 樱花 mark, and Yi Kun had not challenged the decision. Finally, the court found that by using only one part of its registered trademark (without the device representing a cherry blossom) on its own products, Yi Kun was not actually using its mark as it is, as outlined in the Trademark Law, but was using a sign that was almost identical to ABM's trademark.

In essence, the court found that Yi Kun had weaponised the suit to disrupt its rival's business operations, thus breaching the principle of good faith. This caused prejudice to ABM's legitimate interests, wasted judicial resources, undermined judicial authority and constituted abuse of rights.

The court awarded ABM the attorney fees of 70,000 yuan. The decision has now entered into force.

Analysis

The court was looking at a situation that the Supreme People's Court mentioned in its Judicial Interpretation of April 2008 about conflicts

between registered trademarks and prior rights. According to Article 1 of the interpretation, a court shall not accept an action initiated by the owner of a registered trademark against another registered trademark and shall direct the plaintiff to request that the accused mark be invalidated by the administrative authority. There are only two exceptions to this rule:

- where the said trademark is significantly modified; or
- if the mark is used on goods other than those approved by its registration.

This is why the court insisted that the defendant was using its trademark exactly as registered and on the very products for which it was approved.

The logical consequence could have been a straightforward dismissal and a recommendation to file an invalidation application, but the court wanted to sanction the plaintiff's attitude. The infringement claim and abuse of rights were fully examined.

There is a key lesson to be taken from this case. The courts are paying closer attention to plaintiffs' subjective intentions and are drawing clearer distinctions between trademark owners that legitimately believe that their trademarks are being infringed (although a court may still not find infringement and dismiss the case), and those that use their rights in bad faith against competitors.

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