



Chofn English Articles in 2021

Chofn Intellectual Property

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Chinese IP Updates I

By [Ms. Haoyu Feng](#)

1. CNIPA rejects 109 squatting trademark applications for Olympic champions' names

During the Tokyo Olympic Games, the Chinese athletes performed well and encouraged the Chinese people. However, some enterprises and individuals filed squatting trademark applications for the successful athletes' personal names and related hot terms to take unfair advantage of others' reputation. The China National IP Administration (CNIPA) condemned the squatters and swiftly announced the rejection of the 109 squatting applications, with the squatters' and representing agencies' names listed.

According to the Chinese Trademark Law and other relevant regulations, the squatters and agencies shall be punished. The local Administrations for Market Regulation (AMR) will soon follow up by imposing penalties.

2. CNIPA suggests draft opinions on the revision of the Trademark Law

On August 25, the CNIPA officially responded to the All-China Federation of Industry & Commerce's (ACFIC) proposals and suggested the important directions of its research and draft opinions below on the next revision of the Chinese Trademark Law.

- 1) To limit the scope of entities qualified to file trademark opposition and invalidation in order to prevent bad-faith oppositions. The CNIPA suggests the possibility of permitting the third party's opinions and adding the non-use cancellation applicant's burden of proof;
- 2) To lift the threshold of opposition. The CNIPA will consult with other authorities about the fee structure for trademark matters and newly design liability of compensation;
- 3) To improve delivery procedure of opposition documentation;
- 4) To publicize evidence and have hearings in oppositions; and
- 5) To strengthen crackdown on bad-faith applications and representation and build fair, honest and creditable market environment.

The CNIPA's current fee rate is unprecedentedly low which is designed to lighten the applicants' monetary burden but turns out to give rise to huge number of trademark applications and piracy. The CNIPA has solicited the public opinions on fee structure for trademark matters and is possibly considering increasing the fees to increase the cost of bad-faith trademark filings and oppositions. It is thus advisable for the entities that have true need of trademarks in China to take earlier actions before the fee rise.

3. IPR abusers shall compensate defendants' reasonable expenses

On June 3, 2021, the Supreme People's Court (SPC) of China announced its official response to the Shanghai High People's Court's letter as Legal Interpretation No. 2021-11, applicable to all IPR infringement lawsuits in mainland China, effective as from the same day.

Pursuant to the Interpretation, where the defendant proves the plaintiff's accusation has constituted statutory abuse of rights and harm to its lawful rights and interests and claims the plaintiff's compensation for reasonable expenses on attorneys, transportation and accommodation etc., the courts shall sustain the claim. The defendant is also entitled to claim the reasonable expenses through separate lawsuits.

Comments:

The Chinese authorities and courts are cracking down on bad-faith trademark applications. Nevertheless, some bad-faith applications had matured into registration, the owners of the defected trademarks sometimes "enforce" their pirated trademarks against the victims of the bad-faith applications. Such owners are categorized as IPR abusers. Now that the SPC permits the victims or defendants to claim compensation for their reasonable expenses, it will be harder for the abusers to profit from trademark squatting. Instead, the squatters shall compensate for the loss caused by the abuse if they maliciously initiate lawsuits. The Interpretation will make trademark squatting or IPR abuse less profitable or riskier, which is certainly helpful to purify the IPR environment in mainland China.

Chinese IP Updates II

By [Ms. Haiyu Li](#)

1. Chinese Trademark Office requires commitment of honesty and creditability for request well-known trademark protection

On August 6, 2021, the Chinese Trademark Office issued an official notification at its website (http://sbj.cnipa.gov.cn/tzgg/202108/t20210806_333421.html) to require the parties concerned to commit to honesty and creditability for request for well-known trademark protection. The parties concerned include the opponents, invalidation applicants, trade agencies, and trademark attorneys.

The notification shall be applicable to all the Office's corresponding cases filed on or after 1 September 2021. The notification will function to regulate the parties' conducts and warn them of the potential consequences.

Together with the notification, the Office released a sample letter of commitment for the parties to use. **Chofn IP has put the sample letter into English for our colleagues' easy information and use. If you need the translated sample letter, please feel free to let us know.**

2. Serious IPR infringers to be listed in China's credit system

On 30 July 2021, the State Administration for Market Regulation (SAMR) released in its Order No. 44, *The Rules on Adminstrating the Seriously Illicit or Dishonest List in Market Supervision and Administration*, to take effect as from 1 September 2021.

The prescribed seriously illicit and dishonest conducts cover unfair competition, trade secret infringement, willful IPR infringement, abnormal patent filing, bad-faith trademark filing, and seriously illicit patent and trademark representation in addition to conducts relating to the safety of food, medicines, medical devices, and cosmetics, product quality, infringement of the consumers' rights and interests, fair competition and market order. The parties shall be kept on the list for three years if no appeal or request for earlier removal is initiated. The listed parties shall be faced with stricter and more frequent inspections and cannot receive AMRs' awards.

This is another useful weapon to combat the IPR infringers and bad-faith filers. Considering the potentially serious impact on the listed parties, the legitimate IPR holders should take the opportunity to warn the bad-faith trademark filers and agents and serious IPR infringers and press for favorable results.

3. SPC releases the 28th Batches of Guiding Cases

On 15 July, the Supreme People's Court (SPC) of China released **the 28th batches of Guiding Cases** Nos. 157-162, including copyright infringement case, No. 157, patent ownership case, No. 158, invention patent infringement case, No. 159, new plant variety case, No. 160, false advertisement case, No. 161, and trademark invalidation case, No. 162.

The cases represent the SPC's interpretation of the relevant IPR laws. The principles behind the cases will be binding on all Chinese courts in judging similar cases and can be cited as precedents.

Chinese IP Updates III

By [Ms. Zhanqing Tang](#)

1. SPC issues Judicial IP Protection Plan

On April 22, 2021, as an important event of IP Protection Week of China, the Supreme People's Court (SPC) issued the notice of the People's Court Intellectual Property Judicial Protection Plan (2021-2025) (the "Plan"), to introduce the overall goals, tasks and key working measures for judicial IP protection during the 14th Five-Year Plan period. According to the Plan, substantial progress will be made in the modernization of the IP adjudication system and adjudication capabilities. The judicial IP protection situation will be significantly improved.

According to SPC, in 2020 the courts across the country received a total of 525,618 IP cases of first instance, second instance, and requests for retrial, and concluded 524,387 cases, up by 9.1% and 10.2% respectively over 2019.

2. CNIPA and MPS strengthen cooperation

The China National Intellectual Property Administration (CNIPA) and the Ministry of Public Security (MPS) jointly issued the notice of the *Opinions on Strengthening Cooperation in IP Protection* (the "Opinions") on May 20, 2021. The Opinions addresses that the CNIPA and MPS should cooperate in such aspects as information exchange, professional support, infrastructure, legal research, professional training, publicity and education and international exchanges and etc., enhance the connection between intellectual property administrative protection and criminal justice. We expect that the cooperation will be helpful to more effectively deter IP infringement and improve the people's IP awareness.

3. SPC to divide complicated and simple administrative cases

On May 28, 2021, the Supreme People's Court (SPC) of China issued the *Opinions of the Supreme People's Court on Promoting the Reform of the Diversion of Complicated and Simple Administrative Litigation Procedures* (the "Opinions"), effective as from June 1, 2021. The Opinions are composed of five parts. The Opinions proposes the guiding ideology for advancing the reformed division of complicated and simple administrative litigation procedures, the criteria and the specialized team, applicable circumstances etc. to streamline the judicial adjudication of administrative lawsuits and optimize the judicial resources.

4. China explores to establish blacklist of IP infringers

China has been conducting constructive exploration about establishing a blacklist of the abnormal IP filers and infringers at the administrative and judicial levels, to better protect IPRs and innovation. The China National IP Administration (CNIPA) has already established a blacklist of nearly a thousand bad-faith filers who filed plenty of applications. Other local and central governmental organs are also preparing to associate the infringers with the national credit system. More specific and stricter measures will be announced to make IP infringement more risky and less profitable.

Chinese IP Updates IV

By [Ms. Haiyu Li](#) and [Mr. Tingxi Huo](#)

1. SPC interprets IPR punitive damages

The Supreme People's Court (SPC) of China released the Interpretation Concerning Application of Punitive Damages in Civil Cases of IPR Infringement, effective 3 March 2021, which includes seven rules.

The Interpretation addresses issues such as willfulness, bad faith, willful infringement factors, severe scenarios and means of calculation.

In recent years, China amended its laws relating to trademarks, copyright, patents, seeds, unfair competition and the civil code and updated the relevant judicial interpretations. Accordingly, significantly heavier fines and higher damages have been provided, which is expected to greatly improve the IPR enforcement environment and deter infringers.

However, the amended laws and interpretations are slightly inconsistent in terms of punitive damages. The Interpretation is made to better help coordinate the different laws and standardize the application of punitive damages.

According to the SPC's plan, it will release more typical cases to further illustrate the rules and guide the local courts in the future.

2. Shell granted maximum statutory damages

The Beijing IP Court recently granted Shell a maximum statutory damage of CNY5 million (€0.64 million) in its first-instance ruling under the newly amended Chinese Trademark Law.

In this case, because Shell was unable to prove its loss or the defendants' profit from the trademark infringement, the Court used its discretion to comprehensively consider such factors as the defendants' subjective bad faith, self-announced profit and the contribution of trademark and granted the damages.

Under the old Trademark Law, the maximum statutory damages award was CNY3 million (€0.39 million). As the five defendants' trademark infringement lasted until after the new Law took effect on 1 November 2019, the new Law was applied and greater damages were thus granted.

3. Record award for trade secrets

According to news from Chinaso.com, on 19 February 2021, the Supreme People's Court (SPC) granted damages of CNY159 million (€20.5 million) for infringing trade secrets in the second and final instance, a record high in all trade secret cases.

The two plaintiffs Zhonghua Chemical and Shanghai Xinchun jointly developed a vanillin producing technique and protected it as a trade secret. Zhonghua Chemical won some awards for the technique and has become the biggest vanillin producer in the world, occupying 60% of the world's vanillin market.

In 2010, Mr Fu, a workshop Deputy Director of Zhonghua Chemical, received CNY400,000 from Wanglong Tech, one of the five defendants, informed Wanglong Tech of the trade secret and joined the company. Wanglong Tech and the other two company defendants actually used the trade secret to produce vanillin from 2011 through 2017, producing at least 2,000 tons of vanillin every year.

After the first-instance suit, both sides appealed to the SPC, which finally ordered the defendants to stop infringement and granted total damages of CNY159 million, with the reasonable expenses for enforcement included. At the same time, the SPC transferred the criminal evidence to the police for criminal prosecution.

4. New Balance fails to invalidate XINBAILUN

On 9 February 2021, the Beijing High People's Court finally upheld the Beijing IP Court's ruling and the China National IP Administration's (CNIPA) decision to refuse New Balance's petition for invalidation of Zhou Lelun and his company's Chinese trademark XINBAILUN (新百伦) on the basis of its English trademark NEW BALANCE.

Zhou Lelun and his company applied for and registered the Chinese trademark. Although New Balance used the same mark earlier, under China's first-to-file principle as opposed to the first-to-use principle, the Supreme People's Court (SPC) found New Balance's use to be infringement in another civil lawsuit.

The Beijing High People's Court ruled that there was no one-to-one correspondence between the Chinese and English marks and that New Balance's earlier use of the same Chinese trademark is insufficient to prove its influential or famous status before the challenged trademark's filing date.

As the ruling on the invalidation is final, New Balance will have to design and select a different Chinese mark equivalent to its original English version. This case once again reflects the importance of filing trademarks earlier and conducting searches before use in China.

Chinese IP Updates V

By [Mr. Xiaoming Liu](#) and [Mr. Tingxi Huo](#)

1. CNIPA's latest statistics

In 2020, the China National Intellectual Property Administration (CNIPA) examined 8.784 million new national trademark applications, up by 6.43% over the previous year. The average duration of examination has been shortened to four months. Registration duration has been shortened to seven to eight months. The validly registered trademarks have added up to 30.17 million and the registered GIs have totaled 6085.

Since 2018, the CNIPA has rejected more than 150K trademark applications filed in bad faith or for hoarding purpose.

2. China lifts max imprisonment of IP criminals from 7 to 10 years

On 26 December 2020, the Chinese Congress released the 11th amendment of the Criminal Law, which will come into effect on 1 March 2021, with highlights relating to IP summarized below.

- Under Article 213, the trademark protection has been extended from goods to services. Although the protection covers services, the amendment has further clarified the issue in the law.
- Under Article 213, protection of copyright has been extended to cover the copyright-related rights.
- The maximum imprisonment in serious scenarios for the following five crimes has been extended from 7 to 10 years. On the other hand, surveillance and detention, namely the freedom-limiting penalty lighter than imprisonment, have been abolished.
 - 1) Counterfeiting registered trademarks;
 - 2) Selling goods bearing counterfeited registered trademarks;
 - 3) Illegally manufacturing or selling illegally manufactured identifications of registered trademarks;
 - 4) Crime of infringement on copyright; and
 - 5) Crime of infringement on trade secrets.

In general, the penalty has become heavier. We expect that the amendment will be more deterrent to the infringers and can better protect the legitimate IPRs in China.

3. LEGO copyright infringer imprisoned 6 years and fined CNY90M in Shanghai

On 29 December 2020, the Shanghai High People's Court finally sustained the first-instance court's ruling that the prime culprit infringing Lego's copyright is to be imprisoned six years and fined CNY90 million. Other eight accessory criminals were sentenced to imprisonment ranging from three years to four years and ten months and fines ranging from CNY0.2 million to CNY4.5 million.

The criminals were found out to have copied Lego's 663 copyrighted toys, with an illegal turnover of CNY330+ million and unsold stock of CNY30 million. As Denmark and China are both members of the *Berne Convention for the Protection of Literary and Artistic Works*, China is obliged to protect Lego's copyright.

Had the infringement happened after 1 March 2021 when the newly amended Criminal Law comes into effect, the imprisonment and fines could be heavier. However, the fine was not awarded to Lego. If it would, Lego is entitled to file a civil lawsuit to claim damage.

4. SPC updates 18 interpretations relating to IP

In 2020, the Chinese Congress made the first Civil Code and amended the Patent Law. In 2019, the Trademark Law was amended. In 2018, the Chinese Trademark Office and Chinese Patent Office merged and formed the current China National Intellectual Property Administration (CNIPA). The Civil Procedural Law and the Administrative Procedural Law were also amended in recent years. Accordingly, the Supreme People's Court (SPC) decided on 23 December 2020 to amend its 18 judicial IP interpretations to keep up with the developments.

International Trademark Opposition in China

By [Ms. Wenpei He](#)

A trademark application can be filed in China directly, namely national filing, or via the Madrid system, namely international filing with China designated. Other parties may file opposition to both national and international filings. Most professionals and interested parties are familiar with national trademark opposition, but not very familiar with international trademark opposition.

Having worked on some international trademark oppositions, I hope to introduce the procedures and share my experience with you through this article.

● Procedures in sequence:

- 1) An international trademark registration designating China, after passing WIPO's formality examination, will be published in the *International Trademark Gazette* (<https://www3.wipo.int/madrid/monitor/en/#gazette>);
- 2) An opposition may be filed with the China National Intellectual Property Administration (the CNIPA) within three months, counting from the first day of the following month after the publication. The opposition should be filed in Chinese, together with a Chinese translation of the relevant pages of *International Trademark Gazette*. After filing the opposition, the opponent (i.e., the opposing party) may make supplementation in the following three months;
- 3) The CNIPA will translate the main points of the opposition argument and the basic information of the opponent's cited mark(s), if any, from Chinese to English, French or Spanish, based on the filing language of the international trademark registration, and then, send a "Notification of Provisional Refusal based on an Opposition" to WIPO;
- 4) WIPO will send the notification to the owner or the recorded agent of the international registration. In practice, the notification is deemed to be successfully delivered 15 days after the "Date of notification from WIPO to the holder" indicated on the notification;
- 5) If the trademark owner wishes to review the full opposition documents and evidence, it should contact the CNIPA through a local agent, and then, is entitled to file response within 30 days counting from the receipt date of the notification, though absent response does not necessarily result in failure. Supplementation is available in the following three months;
- 6) The CNIPA will not begin to examine the opposition case immediately. Instead, it will suspend the opposition, conduct substantial examination (i.e., *ex officio* examination) of the trademark and take steps as follows.
 - a) If the trademark passes the substantial examination, the CNIPA will resume the examination of the opposition;
 - b) If the trademark is rejected in the substantial examination and no appeal is duly filed, the trademark will become invalid and there will be no need to examine the opposition.

Therefore, the CNIPA will conclude the opposition by issuing an Opposition Closure Notification for International Trademark;

- c) If the trademark is rejected in the substantial examination and appeal is duly filed, the opposition case will be suspended until the appeal case is concluded. If the appeal is not successful, the trademark will still become invalid and there will be no need to examine the opposition. If the appeal is successful, the examination of the opposition will begin.

● Comparison of national with international oppositions

From the procedures introduced above, we can note the differences between national and international oppositions as follows:

1. **Different Trademark Gazettes:** International trademark registration is published by the WIPO in the weekly *International Trademark Gazette* only, not to be published or re-published in the Chinese *Trademark Gazette*. In contrast, a national trademark application will be published by the CNIPA in the Chinese *Trademark Gazette*, four issues a month. Therefore, it is advisable to monitor both Gazettes.
2. **Different order for substantial examination:** An international trademark registration designating China is published for opposition before the substantial examination. A national trademark will not be published for opposition until it provisionally passes the substantial examination.
3. **Different deadlines:** The period for an international opposition is three months, counting from the first day of the following month after the publication, which means the opponent usually has longer than three months to make a decision on opposition. The period for a national opposition is exactly three months, counting from the next day of the publication.
4. **Languages and services:** The CNIPA needs to provide the basic translation of an international opposition, and serve a notification to the WIPO who will then relay a copy to the trademark owner or agent, which is more time and resource-consuming and riskier in many ways. For a national opposition, the notification shall be directly served to the trademark owner or agent, together with the opposition documents.
5. **E-filing** is available for a national opposition, but not for an international opposition.
6. **Different duration of examination:** According to the Chinese Trademark Law, examination for an opposition should be completed within 12 months which can be extended to 18 months under special circumstances. In practices, the duration applies only to a national opposition, but not binding on an international opposition, which gives rise to some uncertainty.

In conclusion, international trademark opposition is far more complicated and should be processed and followed up more carefully than a national opposition.

How to Use Non-Use Cancellation in China

By [Ms. Haoyu Feng](#)

According to the Chinese Trademark Law, if a trademark is in non-use status for three consecutive years or longer from the beginning of the registration date, the trademark shall be vulnerable to non-use cancellation.

Non-use cancellation procedures are nowadays widely used in prosecution procedures to overcome citation or avoid infringement. This article analyses the procedure to assist trademark owners and professionals in understanding and benefiting from it.

● Procedural issues

A trademark registrant needs to submit use evidence within two months after receiving the official Notification of Filing Use Evidence and extension or late filing is not allowed. If the authorities decide to cancel the trademark, the registrant is entitled to appeal within 15 days.

In addition to the short deadline, another annoying issue for the registrant is to cope with repeatedly filed non-use cancellations. A registered trademark might encounter two or more non-use cancellations filed by the same or different parties. In these circumstances, the trademark registrant is very likely to be confused by the notifications, which look very similar, and might mistakenly respond to only one or some.

However, such an insufficient response may lead to cancellation. In other words, the registrant is required to respond to each and every non-use cancellation separately.

● Qualified use evidence

Evidence showing use of the trademark on goods, packages or containers and/or in trading documents such as invoices, sales contracts, packaging lists, in advertising, exhibition or other business activities are all acceptable. To screen out qualified use evidence, we need to make sure that the evidence includes, separately or jointly, the following five factors:

1. Correct trademark: identical or basically identical with the trademark shown in the registration certificate;
2. Goods or services: consistent with those on the certificate. If the goods are just similar, not the same as the certificate, the evidence might be regarded invalid;
3. Correct user(s), including the trademark registrant and authorized licensee(s);
4. Correct dates in the prescribed duration, namely during the recent three years counting back from the cancellation application date; and
5. Correct location, namely mainland China, not including Hong Kong, Macau, or Taiwan.

Volume of evidence also plays an important role. Where the volume is small or all the evidence demonstrates only one or a couple of deals, the evidence might be regarded as symbolical and accidental use, which is normally insufficient.

Concerning the location, there is an “exception” that in cancellation procedures, use of a trademark on goods manufactured in mainland China but sold in foreign countries is also deemed as qualified use of the trademark in mainland China. In enforcement procedures, such pure manufacture without local sales cannot be absolutely exempt from trademark infringement liability.

In addition, *force majeure* may be regarded as a justifiable reason for non-use to resist cancellation. In many cases, factors such as natural disasters, changed governmental policies, or bankruptcy leading to the registrant’s inability to use can help to keep the trademark valid.

- **Using non-use cancellations**

Unlike opposition and invalidation cases where only qualified parties are allowed to file the requests, non-use cancellation is open to any party. The applicant bears the very light burden of proving the non-use without liability of compensation even if the registration is finally maintained.

Interested parties should consider taking advantage of non-use cancellation as a practical resolution in the following circumstances:

- ✧ **To overcome citation in rejection appeals**

According to statistics, there are more than 34 million validly registered trademarks in mainland China as of 2020. As citation increases, non-use cancellation is more often used to overcome citation.

Attention should be paid to the examination timeline. The Chinese authorities are expediting examination of trademark prosecution and a non-use cancellation takes four to eight months and a rejection appeal needs four months at least.

The authorities are supposed to make decisions on the appeals within the statutory nine months beginning from the appeal filing date. Such expedition brings a higher level of uncertainty in overcoming citation through non-use cancellation. Therefore, I strongly suggest conducting pre-filing searches and filing non-use cancellations earlier.

- ✧ **To challenge the basis of an opposition or invalidation**

In theory, a validly registered trademark itself suffices to function as a legal basis of opposition or invalidation. The opposing party or applicant of invalidation does not need to prove that its cited trademark has been in business use. However, if the opposed or invalidated trademark owner fights back by requesting for non-use cancellation, the cited trademark will be put into risk and the owner is sometimes forced to settle.

- ✧ **To fight against trademark piracy, avoid infringement or prevent abuse of trademark right**

Though the Chinese government has begun to take the initiative to reject obvious bad-faith trademark applications, once published or registered, the pirated trademarks can only be removed through opposition, invalidation and/or non-use cancellation. Compared with opposition and invalidation which require strongly convincing arguments and evidence, non-use cancellation just requires a very simple statement of non-use, which makes it more cost-efficient to attack trademark piracy.

In addition, some pirates abuse their pirated trademarks to sue the legitimate parties for infringement and non-use cancellation is often a useful tool to fight back.

- **New trends**

Non-use cancellation is designed to make better use of the trademark resources and provide more room to new business. Though this procedure is helpful to curb trademark piracy and warehousing, it has also bothered legitimate registrants and authorized users. The authorities have begun to consider restrictions on non-use cancellation, including but not limited to setting the applicant's qualifications and compensation for the unfairly bothered owners.

As the evidence filed by the registrant is not automatically served in copy to the applicant, the applicant cannot see the evidence until appeal arises, which makes it increasingly difficult to check the authenticity. We hope the procedure can be improved in the next amendment of the Trademark Law.

Trademark MOCCA Cancelled as Generic Name in China

By [Ms. Wei Cheng](#)

In China, generic names shall not be registered as trademarks under Article 11 of the Chinese Trademark Law. If a trademark becomes a generic name or is later found to be a generic name, the trademark will be vulnerable to cancellation under Article 49. The application of this provision is well illustrated in a recent typical case where the Beijing High People's Court made a final ruling to cancel the trademark MOCCA in English and Chinese which is proved to be a generic name. I would like to introduce the case through this article.

● Case brief

In 2011, Ruichang Trading Co., LTD. ("Ruichang") filed an application for the trademark MOCCA in English and Chinese (stylized), No. 9199914, with the China National IP Administration (CNIPA), which was approved of registration in May 2012 in class 30.

In 2015, Beijing Huineng Taifeng Information Consulting Co., LTD. ("Huineng Taifeng") requested for cancellation of the trademark because it has become a generic name relating to coffee. The CNIPA considered the submitted evidence insufficient to prove so and decided to maintain the registration.

In 2017, Huineng Taifeng appealed. In 2018, the appeal board of CNIPA upheld that the provided evidence is insufficient. Huineng Taifeng then filed a lawsuit with the Beijing IP Court in the first instance and overturned the decision. The case was finally appealed to the final court, namely the Beijing High People's Court.

On May 14, 2021, the Beijing High People's Court finally decided to uphold the first-instance ruling that the trademark has become a generic name on coffee products and thus the registration on goods "coffee; coffee flavoring (seasoning); coffee beverages with milk; botanicals used as coffee substitutes" should be cancelled, but the registration on the remaining goods "cocoa products; chocolate drink containing milk; chocolate cream; tea drinks; sugar" should be maintained.

● Highlights of the ruling:

In both rulings, the courts held that the nature of generic name should be judged according to the specific goods. Where a party claims that the trademark has become a generic name of a commodity, it may submit such evidence as dictionaries, reference books, national or industrial standards, confirmation from relevant industrial associations, market survey results, evidence of market use, and other entities' use of the trademark on the same commodity. In particular, the Court elaborated the five points as follows:

- 1. The origin of trademark:** Upon examination, the term "Mocca" is found to be a port city on the Red Sea coast of Yemen. As early as in the 16th and 17th centuries, Mocca was the world's largest coffee trading center. The term had a specific association with coffee products prior to the filing date of the trademark and was not originally created by Ruichang.
- 2. The consumers' cognition:** According to the consumers' comments on mocca coffee sold in different coffee shops and questionnaires in Beijing, Shanghai, Guangzhou, Dalian and Chengdu, around 80% to 90% of consumers knew about mocca and thought the term refers to a coffee flavor rather than a coffee brand.

3. **The use in the same business:** It was found that many coffee chain shops, such as Costa Coffee, Maan Coffee, Coffee Bene, Pacific Coffee and UBC Coffee, offer mocca-flavored coffee. Many instant coffee brands, such as Nestle, Maxim and Mings, have launched mocca-flavored coffee, and many other companies sell special mocca coffee equipment. The evidence shows that the term has been widely used as a kind of goods or flavor by other competitors.
4. **Other parties' introduction and news reports:** In books, newspapers, periodicals, media, there are a lot of introductions of mocca coffee. Some were published as early as in 1990 and have covered such local newspapers and professional magazines as *China Business Daily*, *Global Times*, *Food Industry*, etc. In most reports and articles, the term is mentioned as a coffee flavor or a kind of coffee. The reports reflect the consumers and competitors' cognition, which further proves the public cognition.
5. **The dictionary meanings:** Such physical and online dictionaries as *Oxford Dictionary* and *Baidu Dictionary*, *Bing Dictionary* and *Youdao Dictionary* have adopted the term as "a kind of coffee" or "a drink made of chocolate, coffee and milk", which also strongly prove the nature of a generic name.

● Analysis

From the case we can learn the following important trends or lessons:

1. On the offensive side, the strong evidence to support generic-name cancellation should carry tight connection with the targeted goods, particularly in terms of origin of the trademark and the public cognition. In this case and other precedents, the courts often accepted such strongly convincing evidence as National Library's reports, dictionary entries, and relevant industrial associations' confirmation.

In this generic-name cancellation case, the questionnaires were accepted by the court, which very rarely happens in China. In most event, the Chinese courts or authorities do not accept the questionnaires or survey results. The relevant parties should continue to use caution to collect and submit this type of evidence, despite this precedent.

2. On the defensive side, in order to avoid generic-name cancellation, the owner should take the initiative to select or design a more distinctive word trademark and use the trademark as an adjective to modify nouns or its goods or services, not as a noun or name to represent its goods or services. In this case, I personally consider the term "Mocca" not inherently distinctive. Neither has the term acquired distinctiveness through long-term extensive use.

At the same time, the owner should try to prevent others from using the term as nouns. If the media and competitors use the trademark as nouns in business or dictionaries, the owner should take immediate steps to stop the trend. Indifference or delayed actions might put the trademark at risk.

3. The CNIPA and the courts have no consensus on evidence of generic name. The CNIPA is stricter than the courts. The parties concerned should prepare more time and resources.

Nature of Gifts in Non-Use Cancellation Cases in China

By [Ms. Yaqi Zhang](#)

Pursuant to Article 49.2 of the Chinese Trademark Law, a registered trademark may be cancelled if it has been in non-use status for three consecutive years without justifiable reasons. Pursuant to Rule 5.3.5 of the Trademark Examination and Review Criteria, made by the China National Intellectual Property Administration (CNIPA) in 2016, the guide book for trademark examiners, if a trademark is used on the goods as gift only, such use shall not be regarded as valid use of the registered trademark in the sense of the Trademark Law. In other words, such use evidence cannot resist non-use cancellation.

How is the Rule enforced in practices? I hope to analyze this issue through some cases in this article.

Case 1: Non-use cancellation of the trademark “福音” (“Fuyin in Chinese”), Case No.: Gaoxingzhong No. 2016-761

In the non-use cancellation of the trademark “福音” (“Fuyin in Chinese”), No. 3410839, the registered goods are “Rice paper, manual, greeting card, poster, etc.” A licensee used the trademark on notebooks and donated 180 pieces to a few churches in China. The China National IP Administration (CNIPA) decided to cancel the trademark, but the Beijing IP Court overruled the decision. The CNIPA appealed to the Beijing High People’s Court. One point for the appeal is that the donation of the relevant goods cannot be regarded as valid and commercial use of the trademark.

The Beijing High People’s Court did not support CNIPA’s argument. The Court held that though the notebooks were presented as gifts, as the donation was combined with other commercial activity, the use of the trademark on the donated goods can be regarded as valid use in the sense of the Trademark Law.

Case 2: Non-use cancellation of the trademark “万和” (“Wan-He in Chinese”), Case No.: Jingxingzhong No. 2016-5665

In the non-use cancellation case of the trademark “万和” (“Wan-He in Chinese”), No. 3342442, the registered goods are “electric toothbrush and multifunctional electric lunch boxes, etc.” The owner purchased electric toothbrush and multifunctional electric lunch boxes from a third party, annexed the trademark to the goods and provided the goods to consumers as gifts. From the packaging of the gifts, it is sufficient for the consumers to recognize the trademark owner as the producer of the gifts. The CNIPA refused the gifts as valid use evidence and decided to cancel the trademark.

The trademark owner appealed to the courts and finally won the case. The final Court held that even if the trademark was used on gifts, it has functioned to identify the source of goods, which can be regarded as valid use of the trademark in the sense of the Trademark Law.

Case 3: Non-use cancellation of the trademark “恒大” (“Heng-Da in Chinese”), Case No.: Jingxingzhong No. 2017-2424

In the non-use cancellation of the trademark “恒大” (“Heng-Da in Chinese”), No. 853410, the registered goods are “souvenirs made of precious metal, etc.” The owner entrusted a third party with the production of 1,000 pieces silver medallions on which the trademark was used. The CNIPA decided to cancel the trademark as the owner of the trademark failed to provide evidence to prove that it sold the silver medallions to consumers, as the medallions were usually offered as gifts, but not sold as commodity. That is, the CNIPA opined that use on gifts is not valid use evidence.

The trademark owner appealed to the courts and finally won the case. The final Court held that whether those goods were provided as gifts or sold as commodity, it is use in business and thus constitutes valid use of the trademark in the sense of the Trademark Law.

From above, we can see that the CNIPA adheres to the Trademark Examination and Review Criteria and deems the use of a trademark on gifts as invalid, but the Criteria are not binding on the courts.

According to the Chinese legislative hierarchy, the court has no obligation to follow the Trademark Examination and Review Criteria enacted by the CNIPA, not the higher legislative bodies like the People’s Congress or the State Council.

In fact, when deciding what use evidence can be accepted as valid to resist non-use cancellation, the courts mainly follow the Trademark Law, the relevant judicial interpretation, and public policy below.

- a) Articles 48 and 49.2 of the Chinese Trademark Law, which respectively provides the definition, namely “use of trademarks shall refer to the use of trademarks on goods, the packaging or containers of goods and the transaction documents of goods, or the use of trademarks for advertising, exhibition and other commercial activities for the purpose of identifying the sources of goods”, and the conditions for non-use cancellation, namely “Where a registered trademark ... has not been in use for three consecutive years without justifiable reasons, any entity or individual may apply to the Trademark Office for cancellation of the registered trademark, and the Trademark Office shall make a decision ...”
- b) Provisions of the Supreme People's Court on Several Issues Concerning the Trial of Administrative Cases on Granting and Affirming Trademark-Related Rights:

Article 26: The use by trademark owner on its own, use by third parties under authorization and other circumstances of use that are not against the will of the trademark owner, may all be regarded as the use referred to in Article 49.2 of the Trademark Law.

Where there is slight difference between the trademark specimen actually used and the trademark specimen registered, the registered trademark may be deemed as being used as long as the slight difference does not change the distinctiveness of the trademark.

A trademark shall not be deemed as being used under any of the following circumstances: no actual use of the registered trademark except for trademark assignment or license; or, mere publication of trademark registration information or declaration of the right to exclusive use of the registered trademark.

Where a trademark owner has real intentions to use its trademark and has made necessary preparations for actual use, but has not actually used the registered trademark due to other

objective reasons, the competent people's court may deem that the trademark owner has justifiable reasons.

- c) **Public Policy:** The purpose of the non-use cancellation is to clean up the idle trademarks, activate the registered trademarks and curb trademark hoarding, but not to cancel trademarks which are really in use. Therefore, as long as a registered trademark is openly and truly used in business, and the use is not violating the Trademark Law, the trademark should not be cancelled.

There is no indication in the above provisions that use on gifts should not be regarded use of the registered trademark. Instead, according to the above provisions and policy, any commercial use, which is not against the trademark owner's will and can identify the sources of goods, should be regarded as valid use of the registered trademark.

It seems that the Trademark Examination and Review Criteria, which excludes the use on gift, is a misinterpretation of the Trademark Law. Nevertheless, as the Trademark Examination and Review Criteria are still effective, the CNIPA will continue to abide by the Criteria in practices. Accordingly, it is likely that the use evidence on gifts will continue to not be regarded by the CNIPA as valid use. As a result, the trademark owners should be prepared to receive unfavorable decisions from the CNIPA, but should also be optimistic for a good result in the court proceedings.

Beijing IP Court Issues Fines Over Fake Evidence

By [Ms. Haiyu Li](#) and [Mr. Tingxi Huo](#)

On 10 September, the Beijing IP Court released six typical cases where it punished the relevant litigant participants and cancelled six trademarks for fake evidence in lawsuits against non-use cancellation appeal decisions. We summarize and review the cases.

Case 1: Fabricating test reports and advertisement registration certificates, etc. (Jingzhixingchu 2015-1165)

In the non-use cancellation case relating to the trademark JIAJIA and its Chinese characters and Device, No. 1486278, the third parties with surnames Li and Bai submitted test reports and business licenses, but the trademarks in the copy and the original were inconsistent.

The third parties also submitted advertisement registration certificates in notarized form to prove that the copy was consistent with the original. However, the dates on the certificate were inconsistent and 29 February 2013 was not a date at all. The goods descriptions on the copy and original invoices were inconsistent, too.

The Court cancelled the trademark and fined Li and Bai each CNY10,000 (US\$1,550). This is the first case where the Beijing IP Court punished the conduct of fake evidence.

Case 2: Fabricating product photos, etc. in six non-use cancellation appeals (Jing73xingchu 2020-14664)

In this non-use cancellation case relating to the trademark Ancient Tea Horse Road in Chinese and Device, No. 3084001, the third party with surname Mao submitted fake product photos. The trademark shown was Ancient Tea Horse Road in Chinese and Device, but the trademark found for the commodity in a search on the Chinese Commodity Information Services Platform was a different trademark.

In addition, the submitted invoices were found to be absent or different from the official record in terms of corporate names, tax payer IDs, products, and trademarks. The Court cancelled the trademark and fined Mao for the fake evidence CNY30,000 (US\$4,650) in all six cases.

Case 3: Fabricating invoices in the non-use cancellation appeal (Jing73xingchu 2020-13177)

In the non-use cancellation case relating to the trademark Green Forest Hut in Chinese, No. 8403409, the third party Jilin Green Forest Pro-Environment Technology Co, Ltd submitted invoices with an attached list of goods which were found to be inconsistent with the records in the national taxation system. The Court cancelled the trademark and fined the company CNY10,000 (US\$1,550).

Case 4: Fabricating invoices in the non-use cancellation appeal (Jing73xingchu 2020-13083)

In a non-use cancellation case relating to the trademark ITSTYLE, No. 9841494, the third party Anhui Xinghao Industrial Trade Co, Ltd submitted invoices indicating beauty masks and lotions, but the tax authorities' platform indicated different goods, namely indoor slippers and electric horns, and the trademark in dispute was not shown.

The Court cancelled the trademark and fined the company CNY10,000 (US\$1,550).

Case 5: Fabricating invoices in the non-use cancellation appeal (Jing73xingchu 2021-8597)

In the non-use cancellation case relating to the trademark Mei Qi Lin in Chinese, No. 10048229, Guangdong Qianfen Cosmetics Industry Co, Ltd. submitted five invoices, all indicating the disputed trademark, whereas the tax authorities' platform did not record the trademark. The company explicitly confirmed the inconsistency and requested withdrawal of the evidence.

The Court ruled that though the company requested a withdrawal during the lawsuit, the fact that it had already submitted fake evidence could not be changed. Moreover, the request was not made until the administrative organ explicitly pointed out the fake evidence. The Court cancelled the trademark and fined the company CNY10,000 (US\$1,550).

Case 6: Fabricating invoices in the non-use cancellation appeal (Jing73xingchu 2021-3275)

In this non-use cancellation case relating to the trademark BLACKDIAMOND, No. 4579231, the third party with the surname Luo submitted two contradictory invoices in copy. Specifically, in the invoice copies with the same issuing date and number, the goods descriptions were different. In addition, one of the two copies was found out inconsistent with the official record in terms of goods. The Court cancelled the trademark and fined Luo CNY10,000 (US\$1,550).

Analysis

All the six cases are related to trademark non-use cancellation. In the non-use cancellation procedure, there is no cross-examination procedure, and some defects in the filed evidence of use cannot be effectively found by the examiners.

We always suggest the cancellation applicant actively participate in the cancellation appeals, in which the evidence filed by the owner to keep its registered trademark valid would be procedurally served in copy to the opposite party requesting the cancellation. The cancellation applicant, with the help of professional local trademark attorneys, can check the authenticity and validity of evidence piece by piece and help the appeal examiners to find the potential defects in the filed evidence.

In administrative proceedings, a court may, according to the severity of the scenarios, punish the party that fabricates, conceals, destroys, or produces fake evidence to hinder the court's examination by giving admonishment, ordering the signing of a statement of repentance, imposing a fine of up to CNY10,000 or a detention of up to 15 days.

All the above six cases were administrative ones and the fine was limited to this small amount only (the maximum permitted). If a case grows into a criminal offence, the court may sentence the criminal to imprisonment.

VW Fails to Overcome Citation Through LOC in China

By [Ms. Haiyu Li](#)

On 31 August 2021, the Beijing High People's Court finally upheld the Beijing Intellectual Property Court's judgement and the China National Intellectual Property Administration's (CNIPA) decision, namely rejection of Volkswagen Aktiengesellschaft's (VW) trademark TAYRON in Class 12, No. 30191626 in spite of the cited trademark owner's letter of consent to co-existence. I would review the case and provide my advice for your easier reference.

● History of the case

On 12 April 2018, VW filed in China an application for the trademark TAYRON, No. 30191626, in respect of goods in subclasses 1201, 1202, 1204-1207, and 1209-1211, which was rejected in the same year because of Tyron Runflat Limited's earlier trademark TYRON, No. 1613996, in respect of similar goods in subclasses 1202 and 1203. The other cited trademark became invalid due to expiration and is not further mentioned in the following procedures.

VW filed an appeal, but the CNIPA upheld the rejection on VW's important goods automobiles, motor cars, etc., and only granted approval to the less important goods cable cars, trolleys, airplanes, ships, etc., which are dissimilar to the goods of the cited trademark.

VW further appealed to the Beijing Intellectual Property Court in the first instance. The judges ruled that VW failed to submit sufficient evidence to prove that the relevant public, when selecting the designated goods, will pay closer attention and can distinguish the two trademarks. Although VW also submitted Tyron Runflat Limited's letter of consent, the authenticity of the letter can hardly be verified as the evidence is insufficient to prove that the signatory is entitled to represent Tyron Runflat Limited.

Dissatisfied, VW appealed to the Beijing High People's Court, and also supplemented the documents to prove the authority of the signatory in representing Tyron Runflat Limited to grant the consent. Nevertheless, the Court upheld the first-instance judgement finally and commented on the three key issues:

1. Similarity of goods:

The CNIPA's classification and subclassification criteria are of reference value to determine similarity of goods according to the function, uses, producers, sale channels, consumers. According to the criteria, VW's designated goods such as automobiles, motor cars, unmanned vehicles, light trucks, minibuses, sport cars, trucks and the goods of the cited trademark are in the same subclasses and largely associated in terms of producers, sale channels, consumers, etc. Therefore, the goods are identical or similar.

2. Similarity of marks:

The two trademarks concerned are different by only one character. If the two trademarks are used simultaneously on identical or similar goods, the relevant public might be confused by thinking that the producers are the same or have special connection.

3. Letter of consent:

Although VW submitted a letter of consent, now that the two trademarks are basically identical, even if the letter of consent is lawful, authentic, and effective, the letter is insufficient to eliminate the possibility of relevant public confusion with regard to the source of goods. Therefore, the letter cannot be the definite basis for the approval of VW's trademark.

Author's comments and advice:

1. The CNIPA's classification criteria are more and more highly respected by the Chinese courts and we suggest studying the criteria harder in advance. When it is necessary to argue for the dissimilarity of goods and services, I suggest collecting sufficient evidence to prove the actual use fields of the parties' trademarks and the distinctiveness of the applied-for trademark acquired through long-term extensive use and promotion.
2. Unlike the Latin-using people, the Chinese consumers and authorities, with the judges included, are not so good at distinguishing slightly different Latin words. Accordingly, the chances of overcoming such citation are slimmer in China.
3. For a period of time in the past, the CNIPA was strict with letter of consent and often refused. Recently, the CNIPA tends to adopt stricter criteria in accepting letter of consent. I recently received two rejection appeal decisions concerning letters of consent. In one case, the CNIPA did not sustain our arguments for the dissimilarity of marks although we filed the letter of consent. In the other case, the CNIPA sustained our arguments, but did not comment on the letter of consent we submitted, although we believe the letter of consent poses some influence on the examiner's decision.
4. In the last few years, the courts were more liberal and respect the owners' disposal of their private rights. The Beijing High People's Court also released Guidelines to confirm "when judging whether the trademark in dispute is similar to the trademark in question, the coexistence agreements may be used as prima facie evidence to exclude confusion". However, this case and some other recent court rulings reflect that the courts have changed their attitude and become stricter as well. In addition, if the letter of consent is signed by a party outside China, the courts require the letter of consent to be notarized, legalized with translation made by the officially designated translators together with evidence to prove the signatory's authority to represent the business.

As of the end of 2020, the number of validly registered trademarks in China exceeded 30 million. Citation arises more often. As a result, with all the above factors combined, it has become more difficult to register a trademark smoothly. The CNIPA and relevant courts have tightened examination and the rejection rate keeps growing. In order to save resources and time, I strongly suggest that the applicants do more in-depth homework before filing, appealing, or obtaining a letter of consent.

Typical Punitive Damages in IP Cases

By [Ms. Haoyu Feng](#) and [Ms. Haiyu Li](#)

On February 7, 2021, the Chinese Supreme People's Court (SPC) released the Judicial Interpretation on Punitive Damages in Intellectual Property Infringement Cases (Interpretation), effective from March 3, 2021, and followed up by releasing six typical IP rights cases to facilitate accurate understanding and application of the Interpretation. We summarise the cases and comment below.

Case 1: *Guangzhou Tianci et al v Anhui Niuman et al* for infringing technical secret, No. SPC Zhiminzhong 2019-562

Guangzhou Tianci and Jiujiang Tianci sued Anhui Niuman and several associated individuals for infringing a technical secret. The court ascertained the infringement, and considering the bad faith and severe scenarios, granted a punitive damage of 2.5-fold infringement profit.

The plaintiffs and three of the defendants appealed to the SPC. While confirming the infringement, the SPC pointed out that the first-instance court failed to fully consider the contribution of the technical secret, the infringers' severe bad faith, professional infringement, scale, duration, and obstruction of evidence.

Accordingly, the SPC upheld the first-instance order to stop infringement and granted the maximum five-fold punitive damages of CNY30 million (\$4.6 million).

This is the first IP rights case ruled by the SPC, where the maximum five-fold punitive damage was granted and the scenario has received widespread coverage.

Case 2: *Erdos v Miqi* for trademark infringement, No. Jingzhiminchu 2015-1677

Erdos, the owner of the registered trademark 'Erdos & Logo & Erdos in Chinese' in class 25, sued Miqi for selling cashmere yarn products in class 23 bearing 'Erdos in Chinese' prominently.

The Beijing IP Court granted cross-class protection and sustained the infringement claim. Moreover, the court ruled that Miqi, a company dealing in similar products, should have respected Erdos' famous trademark, but has long infringed the trademark through its Tmall shop, which proves its bad faith and severity of infringement. Double damages were granted.

Case 3: *Xiaomi Tech et al v Zhongshan Benteng et al* for trademark infringement and unfair competition, No. Suminzhong 2019-1316

Xiaomi owns the registered trademark 'Xiaomi in Chinese' on mobile phones, etc, and has won many industrial awards. Zhongshan Benteng applied for the trademark 'Xiaomi Life in Chinese' on electric cooking utensils, among other things, in November 2011, which was approved for registration in 2015 but was invalidated in 2018 because of unjustifiable registration.

Zhongshan Benteng registered more than 90 trademarks imitating or copying other famous brands. The Jiangsu High People's Court ruled that the number of comments on the online shop can be

reference to the sales volume. The court took into consideration the sales of the defendants' 23 shops, long duration, variety and quantity, the inferior quality of the infringing goods, as well as Xiaomi's well-known trademarks, reputation, and influence.

Based on the infringing profit, punitive triple damages of CNY50 million (\$7.7 million) were granted.

Case 4: *Wuliangye v Xu Zhonghua et al* for trademark infringement, Nos. Zheminchu 2019-8601-1364 and Zheminzhong 2020-01-5872

The plaintiff enjoys exclusive licence to the mark 'Wuliangye in Chinese'. The suspected shops controlled by Xu Zhonghua had been administratively punished for selling counterfeit Wuliangye liquor and using the mark in the signboards. Xu Zhonghua et al had also been sentenced to imprisonment for sales of counterfeit products.

The repeated and long infringement proved the defendants' professional IP rights infringement and was considered a severe scenario by the court, which awarded punitive double damages.

Case 5: *Adidas v Ruan Guoqiang et al* for trademark infringement, No. Zheminzhong 2020-03-161

The two individual defendants' company was found to have infringed Adidas' registered trademarks three times from 2015 through 2017 and fined for a total of more than 17,000 pairs of infringing footwear uppers. Adidas sued and claimed punitive damages. The court adhered to the preponderance principle and reasonably decided the basis of punitive damage according to Adidas' loss, unit price of genuine shoes, and gross profit rate.

Finally, the court granted a punitive triple damage, setting another example for recognising severe scenarios.

Case 6: *Opple v Huasheng* for trademark infringement, No. Yueminzai 2019-147

Opple registered two trademarks, including one recognised as a famous trademark of Guangdong Province and a well-known trademark of China many times. The defendant, Huasheng, sold similar products bearing a similar mark, which contains the first two characters of the plaintiff's famous mark plus a Chinese character meaning "special" and was once punished for substandard quality.

Although the first- and second-instance courts both denied the trademark infringement, the Guangdong High People's Court confirmed in the retrial the strong distinctiveness and well-known status of Opple's marks and confirmed the infringement.

The defendant had known of Opple's fame and goodwill and had been rejected for its own trademark due to Opple's prior marks but had used the similar mark on its substandard products. Punitive triple damages were granted, based on proved royalties multiplied by the infringement duration.

As the calculated result exceeded the claimed amount, the claimed damage of CNY3 million was awarded. The ruling has introduced a method of precisely calculating basis and multiples.

Comment

Through the typical cases and the Interpretation, the SPC has clearly illustrated the necessary factors to ascertain bad faith, severe scenarios, and ways of calculating damages, which represent the Chinese courts' tougher attitude towards curbing IP rights infringement.

The Chinese authorities concerned are planning to also punish the infringers through the national credit system and a blacklist mechanism. All these efforts combined will make IP rights infringement more risky and less profitable.

The IP right owners and interested parties might spend less on IP rights enforcement or even recover their loss more easily, as reasonable enforcement expenses can also be compensated in addition to damages. Therefore, we suggest that the IP owners and interested parties take advantage of the situation by more aggressively enforcing their IP rights in China, administratively and/or judicially.

US Wyeth Wins Two-Decade Trademark Enforcement Battles

By [Mr. Xiaoming Liu](#) and [Ms. Haoyu Feng](#)

Wyeth LLC (hereinafter referred to as “US Wyeth” or “the plaintiff”) is one of the largest infant milk powder producers in the world. It entered China in the 1980s and its local sales volume exceeded CNY10 billion in 2015.

This April, Zhejiang High People’s Court in its second-instance ruling affirmed the plaintiff and its affiliated company Wyeth (Shanghai) Trade Co., Ltd.’s victory in a trademark infringement and unfair competition litigation against Guangzhou Wyeth Baby Maternal & Infant Products Co., Ltd. (hereinafter referred to as “Guangzhou Wyeth Baby” or “the defendant”) and its affiliated parties. The case was initially tried in 2020 in Hangzhou Intermediate People’s Court where the plaintiff’s claims were fully supported, including the triple punitive damage totalled CNY30 million.

This case has attracted public attention because of the remarkably high punitive damage and the lengthy two-decade battles. A brief of the battles is summarized below.

1. Two-decade battles

1) Trademark registrations and applications (1979-2001)

The plaintiff, previously American Home Products Corporation (AHP) by name, filed trademark applications for “WYETH” and “惠氏” (WYETH in Chinese) in 1979 and 1990 respectively, for the goods “baby food, etc.” in class 5. It filed trademark applications for “WYETH & 惠氏 (WYETH in Chinese)” in 2000 for the goods “milk, milk products” in class 29 and for “non-medical nutrition liquid, non-medical nutrition power, etc.” in class 30. All the applications were registered smoothly.

Zhongshan City Dongfeng Town WUBO Trading Department (hereinafter referred to as “WUBO”) filed trademark applications in 2001 for “WYETH” and “惠氏 (WYETH in Chinese)” for the goods “shampoo, bath lotion, etc.” in class 3, for “baby feeding bottles, breast pump, pacifier, condoms, contraceptive diaphragm, etc.” in class 10 and for “paper, napkin, toilet paper, baby diaper (made of fiber or paper), printed publications, etc.” in class 16.

2) Trademark oppositions and assignments (2001-2011)

The plaintiff filed oppositions in 2002 against WUBO’s trademark applications. The oppositions, the following appeals and administrative lawsuits lasted nearly ten years, but all ended in failure, for two reasons—1) the cited marks and opposed marks are in different classes, so the designated goods were regarded as dissimilar, 2) the plaintiff’s evidence was insufficient to prove that its trademarks “WYETH” and “惠氏 (WYETH in Chinese)” had been well-known in China before 2001 so that it was not entitled to enjoy cross-class protection. The opposed trademarks were successfully registered in 2010.

In 2007, the opposed trademarks were assigned to a natural person Lu Guoji, the contact person indicated in WUBO's trademark application documents which were filed in 2001, then from Lu Guoji to Wyeth China Co., Ltd., a Hong Kong company, irrelevant to the plaintiff, in 2010, and finally assigned to the current owner Guangzhou Wyeth Baby, the defendant, in 2011.

3) Trademark invalidations and civil litigations (2011-2020)

In 2011, the defendant began to use the registered trademarks “WYETH” and “惠氏 (WYETH in Chinese)” to sell maternal and infant caring products such as “baby shampoo, skin caring products, diapers” in many provinces in China. The plaintiff pursued the battles against the defendant in two fields, namely, trademark invalidation and civil lawsuit fields.

A. Re the trademark invalidations

The plaintiff won the invalidations before Trademark Review and Adjudication Board (TRAB) in 2011 pursuant to Article 10.1.8 of the Chinese Trademark Law, but then lost in Beijing Intermediate People's Court and Beijing High People's Court in 2014. The courts held that Article 10.1.8 only applied to the situation where the public interests were harmed, whereas no public interests were harmed in these cases.

The cases were returned to the TRAB for re-examination. The plaintiff won the cases again before the TRAB in 2015 pursuant to Article 41.1, which applies to the situation where the registration of a trademark is acquired by fraud or other unfair means, based mainly on the distinctiveness and high reputation of the plaintiff's trademarks “WYETH” and “惠氏 (WYETH in Chinese)” in respect of maternal and infant food products, as well as the bad faith of Lu Guoji and the defendant. The bad faith was confirmed on basis of the following factors:

- a) Lu Guoji not only filed applications for trademarks “WYETH” and “惠氏 (WYETH in Chinese)” in classes 3, 10 and 16, but also for many other trademarks which are identical with others' prior reputable brands. Lu failed to prove its intention to use such applied-for trademarks. He is hoarding trademarks in bad faith and disrupts the trademark registration order.
- b) The defendant, after obtaining from Lu Guoji the registered trademarks “WYETH” and “惠氏 (WYETH in Chinese)” in classes 3, 10 and 16, also applied by itself for many trademarks for “WYETH & 惠氏 (WYETH in Chinese)”, “惠氏 (WYETH in Chinese) & device”, etc., and used such trademarks in maternal and infant caring products which are closely related to plaintiff's maternal and infant food products. The defendant in its business made false advertisement to mislead the consumers about the relations between it and the plaintiff so as to free ride on the plaintiff's reputation.

Afterwards, the defendant did not give up and initiated the first-instance lawsuit in 2016, the second-instance lawsuit in 2018, and even a retrial with the Supreme People's Court (SPC) which lasted from 2018 to 2020, but all failed.

B. Re the civil lawsuits

In order to prevent the defendant and its affiliated parties from using the trademarks “WYETH” and “惠氏 (WYETH in Chinese)” in business and from continuing with other unfair conducts such as use of similar packages and webpages and identical trade names, false advertisement, which mislead the public and free ride on the plaintiff’s reputation, the plaintiff and its affiliated parties filed several lawsuits as listed in the chart below.

| | | Lawsuit 1 | Lawsuit 2 | Lawsuit 3 |
|--------------------------|-------|--|---------------------------------------|--------------------------------------|
| 1 st Instance | Court | Guangzhou Baiyun District People’s Court | Guangzhou Intermediate People’s Court | Hangzhou Intermediate People’s Court |
| | Time | 2011-2013 | 2011-2012 | 2019-2020 |
| 2 nd Instance | Court | Guangzhou Intermediate People’s Court | Guangdong High People’s Court | Zhejiang High People’s Court |
| | Time | 2013-2014 | 2013 | 2021 |
| Retrial | Court | / | SPC | / |
| | Time | / | 2014-2020 | / |

The results of the Lawsuits 1 and 2 in their 1st and 2nd instance procedures were unfavorable for the plaintiff in essence, though in Lawsuit 2, some of the defendant’s conducts were considered false advertisement and unfair competition and the plaintiff were awarded a damage of CNY50,000. The main reason for the two essentially unfavorable results is that the trademarks “WYETH” and “惠氏 (WYETH in Chinese)” used by the defendant and its affiliated parties had not yet been invalidated.

For Lawsuit 2, the plaintiff filed a retrial petition with SPC in 2014, but it was suspended until the defendant’s trademarks were finally invalidated by Beijing High People’s Court in 2018. SPC made the final decision in March, 2020, overturning the earlier judgement by ascertaining the defendant’s conducts of trademark infringement and unfair competition and ordering the defendant to change its company name by removing “惠氏 (WYETH in Chinese)”.

Lawsuit 3 is the one mentioned in the beginning of this article, in which the plaintiff’s claims for trademark infringement and unfair competition were fully supported, including the claim for triple punitive damage of CNY30 million. The court confirmed in its judgement that

- a) The defendant’s maternal and infant caring products should be regarded as similar to the plaintiff’s maternal and infant food products, because of the same category, basically the same sales channels and targeted consumers, and because of the high reputation of US Wyeth’s products and brands in China.
- b) The defendant and its affiliated parties had obvious bad faith because of many of their infringement and unfair competition conducts.

- c) The infringement is serious and the scale is large as the infringement lasted for many years, with nearly a thousand offline distributors in more than 120 cities. The infringement continued even if Beijing High People's Court invalidated the defendant's trademarks in 2018 and SPC confirmed its infringement in March, 2020.

2. The complexity of the two-decade battles

The two-decade battles have involved 1) hundreds of cases, including more than 40 lawsuits among which more than 10 were in SPC, 2) dozens of notarizations relating to webpages, online and offline purchase, online and onsite conversation, etc., 3) big variety of infringement, including trademark infringement, false advertisement, similar packages and webpages, confusing trade names and domain names, etc. During the two decades, the Chinese Trademark Law was amended twice, the Anti-unfair Competition Law was amended once, the threshold to ascertain "bad faith" and "similarity of goods in different classes" changed, and the courts' attitude to punitive damages also changed.

Regretfully, the obvious bad faith infringement has lasted so long and consumed so much of the plaintiffs' resources. Fortunately, China has made up its mind to effectively enforce IPRs and the plaintiffs' efforts came to a successful end.

3. Experiences and lessons

- 1) Never ever give up. We can see how many setbacks the plaintiff suffered during the two decades, but it never gave up. Its efforts finally paid off. The landmark success also more broadly spread the plaintiff's reputation in China, which can be a welcome side effect.
- 2) Register your trademarks more broadly and earlier. China adopts a first-to-file principle for establishment of trademark right, as opposed to the first-to-use principle. Once your trademarks are preemptively registered by others, it is usually more difficult and costly to get back or invalidate them. Therefore, even if you do not use your trademarks in some classes for the time being, it is still highly advisable to register them.
- 3) Have confidence in China's IP protection environment. As more and more legislations and policies in favor of the legitimate IPR owners are made, China's IPR enforcement environment is improving rapidly. From the two-decade battles, we can see that it is easier for the Courts and administrative authorities to ascertain bad faith nowadays than ten years ago, particularly when the involved brands are famous. More importantly, it is easier to claim high amount of punitive damages, to enable the infringed parties to recover their expenses or even profit from enforcement.

Serious IPR Infringers to Be Listed in China's Credit System

By [Ms. Haiyu Li](#) and [Mr. Tingxi Huo](#)

On 30 July 2021, the State Administration for Market Regulation (SAMR) released in its Order No 44 The Rules on Administrating the Seriously Illicit or Dishonest List in Market Supervision and Administration, which take effect from 1 September 2021. The Rules are made to enhance credit supervision and administration and honest self-discipline.

According to the Rules, parties that have received the AMR's heavy penalties will be put into the Seriously Illicit or Dishonest List to be published through the national enterprise credit system and shared with other organs.

Seriously illicit and dishonest conduct

Seriously illicit and dishonest conduct covers areas such as: the safety of food, medicines, medical devices, and cosmetics; product quality; infringement of consumers' rights and interests; fair competition; and market order. In addition, the list will include: unfair competition, trade secret infringement, willful IPR infringement, abnormal patent filing, bad-faith trade mark filing, and seriously illicit patent and trade mark agents.

The Rules provide a list of factors to be thoroughly considered in deciding bad nature, serious scenarios and big social harms. These factors include: subjective bad faith, illicit frequency, duration, types of penalties, amounts of fines, product value, harm to people's lives and health, asset loss and social influence, unless the relevant parties have sufficient evidence to prove the lack of subjective bad faith.

The AMRs will decide whether to include the parties into the list when making decisions on administrative penalties and will publish the relevant information within 20 working days of decisions.

The parties will be kept on the list for three years if no appeal or request for earlier removal is initiated. Listed parties will face stricter and more frequent inspections and cannot receive AMR awards.

Tips: The Rules will not take effect until September and they are a potential heavy blow to illicit and dishonest parties. Legitimate IPR holders should take the opportunity to warn bad-faith trademark filers and agents and serious IPR infringers and press for favorable results immediately.

After the Rules come into effect, rights holders should use this new weapon to better combat IPR infringers and bad-faith filers.

Case Study: Parallel Import is Not Trademark Infringement in China

By [Ms. Xuexing Wang](#)

Parallel import generally refers to the act of an operator who imports products bearing an authorized trademark through legal channels from outside the country without permission of the trademark holders to the importing country and resells the products. In practice, the Chinese courts usually opine that parallel import does not constitute trademark infringement, unless the trademark is used by illegal means or other infringements occur during import.

In a recent Judgment No. (2020) Yue 73 Min Zhong 1944 issued in April 2021 by the Guangzhou IP Court, the above-mentioned court opinion was reiterated. The importer, a Chinese company, imported Franziskaner Weissbier beer from an authorized seller in Singapore, who purchased genuine beer from another authorized seller in Germany. When sued by the Chinese subsidiary of the trademark holder, the importer submitted relevant evidence to prove the whole distribution chain and the beer are genuine and originated from the trademark holder. Based on the evidence, the Guangzhou IP Court held that the importer's action does not constitute trademark infringement mainly for the following reasons:

- 1) The products are genuine and imported from the authorized seller in Germany, which means the products are under the same control by the trademark holder like other authorized products;
- 2) The court checked and confirmed that the products did not have substantive difference from other products sold on online platforms in China authorized by the trademark holder; and
- 3) Selling the concerned products in China will not cause confusion among the customers about the origin of products and will not damage the reputation of the trademark or infringe customer's rights.

Furthermore, the court held that when the products imported parallelly are sold in original packaging without any alteration, such importation is only the expansion of the scope of the market and does not damage the interests of the trademark holder. On the contrary, it will promote global trade liberalization.

Once again, the case has typically represented the Chinese courts' attitude toward parallel import. As it does not constitute trademark infringement so long as the importer indeed imported the genuine products and showed their source honestly to the public, the trademark holder may take other actions if they want to prevent the parallel import. Controlling the sales channel more strictly may be a possible solution. The trademark holder should consider strictly controlling the entry of products into a specific market through contract by imposing heavier liability for breach of contract. However, due to the exhaustion of right, re-sale in any market may happen because other wholesalers or customers are not restricted by the contracts, which can be somewhat difficult to control.

To better prevent parallel import, the trademark holders shall build their factories farther away from one another, particularly when the production costs are sharply different. For example, if the trademark holders do not want cheaper products to be sold to the huge Chinese market, they shall refrain from building factories in nearby countries where the production costs are cheaper. Otherwise, the much cheaper genuine products can be easily imported to China and reduce their margin of profit.

Obtain a .cn Domain Name Registered for More Than Three Years

By [Ms. Xue Hou](#)

As Chinese market is becoming more and more important, the “.cn” domain name is also becoming very important for many brand owners, especially during the pandemic period when more business is conducted online. Nevertheless, there are still many brand owners who failed to register the .cn domain name for their house marks before they were registered by some malicious parties.

To solve the dispute for the .cn domain name, the real right owner is entitled to initiate domain name complaint procedure based on CNDRP which is similar to UDRP. However, one difference between CNDRP and UDRP is that there is time limitation of three years to initiate the CNDRP procedure, counting from the registration date of the domain name. If the three years deadline expires, the right owner will have to solve the dispute by negotiation or by filing a lawsuit. This article mainly gives a preliminary advice against the .cn domain name which has been registered for more than three years and CNDRP is no longer available to solve the dispute.

1. Negotiation

As the first step, it is always recommendable to negotiate with the cybersquatter for acquisition to have a try. Some cybersquatter may offer reasonable price to sell the domains which ranges from hundreds to thousands of US dollars. In addition, it is also advisable to proceed with the negotiation via emails or other methods in writing. In this way, if the cybersquatter asks for very high price, the aforesaid email correspondence or other written evidence will be very helpful to prove the cybersquatter's bad faith. It is advisable to preserve such evidence by notarization.

2. File lawsuit

If the negotiation fails, the right owner could initiate a domain name lawsuit, and the registration or use of the domain name will be regarded as infringement or unfair competition if the following conditions could be met:

- a) The civil rights and interests claimed by the plaintiff are legal and valid;
- b) The defendant's domain name or its main part constitutes a copy, imitation, translation or transliteration of the plaintiff's well-known trademark; or it is identical or similar to the plaintiff's registered trademark, domain name, etc., which is sufficient to cause misunderstanding to the relevant public;
- c) The defendant does not have rights to the domain name or its main part, nor does it have a legitimate reason to register or use the domain name; and
- d) The defendant has malicious intent in the registration and use of the domain name.

3. How to prove bad faith

For the condition d), usually the following four situations could be identified that the concerned domain name was registered by the defendant in bad faith:

- (1) Registering others' well-known trademarks as domain names for commercial purposes;
- (2) Registering or using domain names that are the same or similar to the plaintiff's registered trademarks or domain names for commercial purposes, deliberately causing confusion with the plaintiff's products, services, or plaintiff's website, and misleading Internet users to visit its website or other online sites;
- (3) Having offered to sell, rent or transfer the domain name in other ways at a high price to obtain illegitimate benefits; and
- (4) After registering the domain name, the defendant does not use or intends to use it, but intentionally prevents the right holder from registering the domain name.

4. Possible defense

If the defendant provides evidence to prove that the domain name held by it has gained a certain degree of popularity before the dispute, and can be distinguishable from the plaintiff's registered trademark, domain name, etc., or has other circumstances sufficient to prove that it is not malicious, it could be a valid defense against bad faith claim.

5. Is compensation available

Although the plaintiff could claim compensation in the lawsuit if it suffered losses from the defendant's infringement, in many cases, it is more practical to focus on the request that the cybersquatter transfer the concerned domain name to the plaintiff, especially in many cases where the domain names involved have not put into use, which makes it difficult to prove the losses caused by the defendant. Nevertheless, more and more Chinese courts incline to fully support reasonable legal expenses claimed in the lawsuit, and even support punitive damages in many cases where the infringement is serious.

6. Lawsuit as leverage to negotiate

As the lawsuit usually lasts 6-18 months if a foreign party is involved, as a strategy, the plaintiff could consider taking both lawsuit and negotiation, and using the lawsuit as a leverage in the negotiation to beat down the price. Such strategy usually works well from our experience.

7. Early registration more recommendable

Despite the above effective methods to get back a squatted domain, early registration of the domain name is more economical, and accordingly more recommendable, even if the domain name will not be used in the near future.

CNIPA Solicits Opinions on Trademark Examination Criteria

By [Ms. Haoyu Feng](#)

On 11 June 2021, the China National Intellectual Property Administration (CNIPA) released its newly drafted Trademark Examination Criteria, to solicit public opinions before 12 July 2021.

The CNIPA began to revise the Criteria in July 2020 and has extensively absorbed the opinions of the courts, local IP administrations, institutes, market entities, Trademark agencies, experts and scholars. The Criteria are composed of two parts, namely the newly added formality examination criteria which were not covered in the previous version, and the revised and improved substantive examination criteria.

The formality examination criteria are newly added and provide systematic and full requirements in five sections—1) specific general requirements for all procedures; 2) key elements for searching goods or services, word and device marks; 3) post-grant procedures; 4) Madrid mechanism registration designating China; and 5) filing procedures, including fees, delivery, docketing, gazette etc.

The substantive examination criteria have been revised and improved in line with the amended the trademark law in six sections—1) general principles; 2) definitions; 3) examination based on Article 4, clarifying the circumstances of bad-faith applications without intention to use; 4) relative and absolute grounds for all types of marks; 5) consistent implementation of the criteria and special circumstances; 6) guiding cases, specimens, and explanation to strengthen the criteria's guidance.

CNIPA Releases 10 Typical Trademark Cases

By [Ms. Jia Li](#) and [Mr. Tingxi Huo](#)

On 26 April 2021, the 21st World Intellectual Property Day, the China National Intellectual Property Administration (CNIPA) released 10 typical trademark cases in 2020, including five oppositions and five review cases.

We summarize the cases and the relevant principles to help understand the CNIPA's latest practices in the application of the revised Chinese Trademark Law.

Case 1: Opposition to mark “中智行”, No. 33953937, to crack down on malicious applications for large number of marks without intention to use

The opponent Allride.AI opposed the trademark of Xu Haojie, an individual applicant who has filed more than 170 trademarks in more than 20 classes, some of which are identical or highly similar to others' prior distinctive trademarks and trade names. The big number has obviously exceeded his normal needs and the filing evidently aims at unjustifiable interests. The individual failed to prove that the marks were his own creation or to submit evidence of use.

Case 2: Opposition to mark “草薙家族草薙京冒菜”, No. 31919844, to crack down on maliciously squatting others' character names and protect the prior right holder's creative work

SNK, a Japanese company, opposed Li Xingjun's trademark, which corresponds to the name of an important character in the opponent's online games containing property value and economic interests originated from the opponent's intelligent creation and investment. The mark might lead to the misbelief that the services come from or are associated with the character name right holder. The filing is unfavorable for fair market order or innovation.

Case 3: Opposition to mark “亮神”, No. 24438839, to crack down on associated companies squatting online shop names

The opponent Yongkang Dude Industry & Trade Co, Ltd opposed the mark owned by Wuhu Wushaoshe Trading Co, Ltd. To avoid legal risk, the legal representative of the opposed party registered several companies to file more than 2,000 trademarks, mostly squatting the names of Tmall online flagship shops. The associated companies' tricky filing constituted fraudulent and unjustified registration.

Case 4: Opposition to marks “好待百”, No. 33838169, and “梦多加喱”, number 33827187, to crack down on maliciously splitting foreign famous marks for filing to protect prior trademark rights

The marks of the applicant Nanjing Yaosheng Trading Co, Ltd are separately distinguishable from the opponent's famous marks, but when combined, are very similar to the prior famous marks of the opponent House Foods Group Inc. The tricky squatting can hardly be found out in the normal examination. The CNIPA combined the relevant oppositions in a more comprehensive way to stop the hidden squatting.

Case 5: Opposition to mark “橙米 CNMI”, No. 33255177, to curb infringement of copyright and protect the famous company's goodwill

The opponent Xiaomi owns prior copyright to the stylized MI, whereas the last two Latin characters of the opposed mark are identical with the original copyright which has become famous after the opponent's long extensive use. The opposed party is taking advantage of the opponent's goodwill and might cause confusion in the market.

Case 6: Invalidation against mark “云铜”, No. 36699370, to crack down on malicious filing and unjustifiable registration

The claimant Yunnan Copper has been long using its abbreviation YUNTONG in Chinese characters. The respondent Yunduanzhixiang and its associated companies jointly hoarded many YUNTONG marks and the claimant's logo in 45 classes to make false advertisement, sue the claimant, and request CNY8 billion to the claimant's affiliated companies. The CNIPA decided that the respondent maliciously registered the marks without intention to use and unjustifiably occupied public resources.

Case 7: Appeal against rejection of 3D mark, No. 32315366, to guide examination of 3D marks in terms of distinctiveness and functionality

FERRERO's egg-shaped 3D mark in red, blue, and white plus the term KINDER was rejected due to indistinctiveness. In the appeal, the CNIPA was partially convinced and decided the mark had acquired distinctiveness on chocolate and corresponded solely to the applicant, but upheld the rejection regarding confectionery.

Case 8: Invalidation of color combination mark, No. 18338886, to guide examination of color combination marks

Three claimants requested the invalidation of ZoomLion's color combination mark because of formality defects, generic color in the mechanical industry, and inability to distinguish the source of the goods through the owner's extensive use. Zoomlion filed a response with evidence and convinced the CNIPA to maintain the validity.

Case 9: Invalidation against mark “上海故事 Story Of Shanghai & Device”, No. 12676248, to illustrate the principle for coexistence of earlier used mark with later registered mark

Hangzhou Lingjueding Garments Co, Ltd, the respondent and owner of the mark, failed to prove that its mark was originally created or used earlier than the claimant's cited mark. The CNIPA accordingly invalidated the mark and refused the coexistence of the marks. This is the CNIPA's first case of circuit hearing to examine a complicated case.

Case 10: Invalidation against mark “佳丽芙 Jialifu (stylized)”, No. 17393381, to regulate trademark representation and eliminate malicious filing and hoarding

The claimant S C Johnson & Son, Inc proved that Ma Jihui, an individual, registered the mark through Guangzhou Yangzhi Ad Design Co, Ltd, an agent recorded at the CNIPA and solely owned by Ma himself, who filed more than 2,000 marks, many of which are identical with or similar to others' name brands. The CNIPA deemed Ma to be the agent, who should be restricted to filing marks for only relevant services. The mark was invalidated, though it was assigned to another party.

Risk of Using “on behalf of” or “dba” in Applicant's Name for Chinese Trademark Application

By [Ms. Xuexing Wang](#) and [Mr. Xiaoming Liu](#)

In many countries, it is not uncommon to use the pattern of names like “doing business as (dba, d/b/a.)”, “trading as (t/a)”, “on behalf of”, “as trustee for” in an applicant’s name when filing trademark applications. The applicant’s name will be officially recorded as “A doing business as B” or “A on behalf of B”.

However, such use might cause trouble or risk in China or might put the applicant into a very unfavorable position in the trademark registration procedure, especially if the case proceeds to litigation. The risk can be seen from the following case.

1. Problem at the Court caused by the pattern “A on behalf of B”

A trademark was applied for in its original country Australia by an applicant named in the pattern “Company A on behalf of Company B” (hereinafter referred to as “A on behalf of B”). An application for international registration in WIPO was filed, with China as one of the designated countries. Unfortunately, the international trademark registration was rejected by the China National Intellectual Property Administration (CNIPA) due to citation. The applicant appealed to the CNIPA, but failed. Then the applicant wanted to file a lawsuit with the Beijing IP Court against CNIPA’s appeal decision, but no document could meet the Court’s formality requirements.

The qualified documents should be the ID card or passport if the applicant is a natural person, or the “certificate of incorporation” if the applicant is a legal entity. What is more, the applicant’s name should be identical with that indicated in the documents certifying its identity.

Only in very rare cases can the problem be solved. For example, if the applicant is a natural person, and there is a middle name in his or her ID card, but the lawsuit is filed with only the first name and last name, the Court might then be convinced that the missing middle name is not a substantial formality problem.

In this case, the trademark applicant is “A on behalf of B”, but there is no “certificate of incorporation” or any other documents which indicate the full name “A on behalf of B”, though both the “certificate of incorporations” for party A and party B are available. In other words, “A on behalf of B” is not an official name registered in any official documents. Despite the facts that 1) the trademark has been registered in its original country and accepted in WIPO under the name “A on behalf of B”, 2) party A and party B have very close relationship, 3) party B can execute an Authorization Letter to show that B authorized A to file the application and handle the relevant lawsuits, etc., the Court noted that there was no qualified document to prove so. Therefore, the formality requirements could not be met.

It seems possible to solve this problem by 1) changing the name “A on behalf of B” to A or B or assigning the trademark to A or B in China, and then 2) filing the lawsuit in A or B’s name with the Court. However, name change applications might involve all the trademarks in the name of the applicant in all countries, and assignment applications might involve other identical

or similar marks on identical or similar goods or services. In addition, as it will also take substantial time (at least several months) to record the name change or assignment, the applicant can hardly meet the deadline of supplementation.

In one word, the initial problematic pattern might make it difficult to pursue the trademark registration in China later on.

2. Why “A on behalf of B” is not a problem in other countries or in WIPO

In many countries, it is not required for the applicant to file identity document when filing a trademark application. Accordingly, the applicant can use a name different from that indicated in its identity documents.

Similarly, when the application is filed with WIPO based on its original application, WIPO is more liberal. We conducted a search in WIPO database and noted that around 30 applicants use the pattern “A on behalf of B”, around 300 applicants use the pattern “A dba B” and around 300 applicants use the pattern “A as trustee for B”.

3. “A on behalf of B” is normally a problem for a Chinese application

If a national Chinese application is filed with CNIPA by an applicant in the name “A on behalf of B”, without identity document which can indicate this full name, then the application will not be accepted.

“A on behalf of B” was not a problem before 2014 as CNIPA at that time did not require the applicant to submit identity document if the applicant is a foreign legal entity, although it required such document for Chinese applicants and for natural person.

We noted in CNIPA’s database that a few trademarks successfully registered under the pattern “A on behalf of B” or similar patterns. Some of them were filed before 2014 whereas a few were filed after 2014 when identity documentation was needed for foreign legal entity. We cannot see the documents filed. From this fact, however, it seems it is still possible to convince CNIPA to accept the application in the name “A on behalf of B”.

4. “A on behalf of B” is not a problem for international application designating China if no rejection arises in China

The applicant’s name “A on behalf of B” is not a problem in the registration procedure for an international application designating China, if no rejection arises in China, as CNIPA does not require the applicant to file its identity documents at this stage if it is registered smoothly.

5. “A on behalf of B” might be a problem for international application designating China if rejection arises in China

However, if rejection or office action arises for the international application designating China in the name “A on behalf of B” and the applicant needs to appeal against the rejection, the

pattern “A on behalf of B” might be a problem as CNIPA needs identity documents in the appeal procedure. If no qualified identity document is submitted, the appeal might be refused.

According to the current practices, in the appeal procedure for the international application designating China, CNIPA was not very strict with the identity documents. Therefore, it remains possible to convince CNIPA to accept the appeal even if no identity document indicates the name “A on behalf of B”. To our knowledge, in some cases, the separate identity documents for A and for B can convince CNIPA.

6. “A on behalf of B” is a problem for post-grant procedures

The pattern “A on behalf of B” can also be a big problem if the owner needs to assign or license its trademarks in China in the future, as CNIPA still requires qualified identity document in the procedures.

Similarly, the enforcement authorities in China, including but not limited to the Courts, the Customs and the Administration of Market Regulations (AMR), also require qualified identity document.

7. Lessons and suggestions

To sum up, if a trademark application is filed by an applicant in the aforesaid name pattern, it will encounter formality problem often difficult or even impossible to solve in China.

As such, if possible, it is advisable to file trademark applications, national or international, in the name A or B, but avoid using “A on behalf of B” as the applicant’s name.

If an international application designating China has already been filed in the name “A on behalf of B” and there is no identity document indicating this name, it is advisable to change its name or assign the trademark to A or B as soon as possible, just in case the trademark application is rejected in China and the qualified identity document is needed in a relatively short period by CNIPA or by the Court.

Chinese Administrative Criteria for Trademark Enforcement

By [Ms. Haoyu Feng](#) and [Mr. Tingxi Huo](#)

In China, trademarks can be enforced through courts or lawsuits like in other countries. However, China is stronger in terms of administrative enforcement of trademarks, particularly through the Administrations for Market Regulation (AMR, formerly the AIC/Administration for Industry & Commerce). The China National IP Administration (CNIPA), a subordinate organ of State AMR (SAMR), released on June 15, 2020 its own Administrative Criteria for Trademark Enforcement (hereinafter referred to as “the Criteria”).

In this article, we hope to summarize the highlights of the Criteria as follows to assist the relevant parties in understanding and better benefiting from the Chinese market.

1. Use of trademarks in the sense of Trademark Law

On the basis of general principles of the Trademark Law, the Criteria have further specified the use on goods in actual business—1) directly attaching, printing or engraving, branding or knitting trademarks onto goods, the packaging or containers of goods, and tags, or use trademarks on the additional labels, product specification, explanatory manuals, or pricelists; or 2) using trademarks on transaction documents relating to the sales of goods, including sale agreements, invoices, bills, receipts, import and export inspection and quarantine certificates, and customs declarations etc.

The use on services has been specified as 1) using trademarks directly in the venues of services, including introductory manuals, staff clothing, signboards, menus, pricelists, name cards, coupons, stationery, writing papers as well as other relevant materials used for providing services; or 2) using trademarks in service-related documents such as invoices, bills, receipts, remittance bills, service agreements, maintenance certificates etc.

2. Identical or similar goods or services

Such elements as name of goods, function, use, main raw materials, producers, consumers, sales channels shall be considered to determine similar or identical goods, whereas name of services, purposes, contents, methods, suppliers, consumers, and venues shall be considered for services. Where the names are not exactly identical but the said elements are the same or basically the same, the goods or services may still be considered identical.

The Criteria reiterate the importance of the CNIPA’s working manual the Classification of Similar Goods and Services, namely the unique subclass system which is updated every year. It is advisable to count on the local trademark attorneys to compare the goods or services.

3. Identical or similar trademarks

Identical trademarks refer to trademarks, basically not different, difficult for the relevant public to distinguish. The elements to determine similar marks include word marks’ spellings, shapes, pronunciation and meanings; device marks’ structure, colors, and appearance; word-device-combination marks’ overall combination and appearance; 3D marks’ shape and appearance; and sound marks’ auditory perception and overall musical image.

4. Likelihood of confusion

Likely confusion means 1) sufficient to convince the relevant public that the goods or services concerned are produced or provided by the right holders of the registered trademarks; or 2)

sufficient to convince the relevant public that the goods or services suppliers and the right holders of the registered trademarks are related in terms of investment, license, franchise or cooperation.

To be more specific, the Criteria provide the relevant elements likely to cause confusion—a) the similarity of the marks, b) the similarity of the goods and services, c) the distinctiveness and notoriety of the registered marks, d) the characteristics of the goods and services and the way of using the marks, e) the relevant public's attention and consciousness, and other relevant elements.

5. Variants of infringement

In recent years, some new types of trademark infringement came into existence. The Criteria list some of the new variants—1) changing or combining registered marks to imitate famous marks; 2) using others' brands in corporate names in an outstanding part to associate with famous marks; 3) using or registering other competitors' famous marks in the same industry; 4) contractors' use of trademark infringing products; 5) offering free gifts with infringing marks; and 6) using domain names identical with or similar to others' registered trademarks to mislead or confuse the relevant public.

6. Repeated infringement within five years

The Trademark Law provides heavier punishment against twice or more trademark infringement within five years. The Criteria provide more specifically that the five-year period shall begin from the date when the enforcing organs' or the courts' decisions of punishment or rulings take effect.

7. Right holders' verifying opinions

The enforcing organs can use their discretion to require right holders to verify the suspected infringing goods and bear the legal liability. The holders' verifying opinions shall be accepted by the enforcing organs unless the suspected infringers can submit contrary evidence to overturn the opinions. Therefore, the holders should make the best of their advantages and support the organs.

● General remarks

The Criteria are made and published by the CNIPA and binding on the AMRs at different levels, but not binding on the Customs, the Public Security Bureaus (PSB, i.e., the police), or the Courts. However, as the CNIPA has absorbed the other organs' opinions in the relevant precedents and judicial interpretation, the Criteria contain the wisdom of almost all the Chinese trademark enforcing organs and courts.

On May 20, 2021, the CNIPA and PSB jointly released an announcement to enhance cooperation between the two organs to strengthen IPR protection and reiterated the importance of the Criteria, which prove to be helpful to efficiently determine trademark infringement in a consistent and harmonized manner and make the results more predictable.

Updates on Punitive Damages in Chinese Civil IP Cases

By [Ms. Haiyu Li](#)

In China, administrative and criminal fines can be imposed against IP infringement. However, the fines shall be submitted to the National Treasury Administration. If the victims wish to obtain damages, usually they need to file separate lawsuits.

Damages shall be granted on the basis of the victims' actual loss or the infringers' actual profit. Where the loss or profit is difficult to determine, the courts may discreetly grant statutory damages. In many cases low damages and fines did not deter infringers, which gave rise to rampant IP infringement and disappointed local and international right owners alike.

The situation began to change from May 1, 2014, when punitive triple damages were provided against severe bad-faith infringement in China's third amendment of the Trademark Law. In the fourth amendment, effective from November 1, 2019, the maximum punitive damage was lifted to five times the plaintiff's loss/the defendant's profit arising from infringement.

This change made trademark infringement more risky and less profitable, and widespread infringement began to shrink. China has extended the punitive damages against severe infringement to other IP laws, namely the Seed Law, which prescribes triple damages; the Anti-Unfair Competition Law, which prescribes five-fold damages; the Civil Code, which permits punitive damages against severe wilful infringement of IP; and the Patent Law and the Copyright Law, which prescribe five-fold damages.

Although the laws share the principles of punitive damages in common, the terminology and connotations are inconsistent. In order to better implement the laws, the Supreme People's Court (SPC) released its Judicial Interpretation on Punitive Damages in Intellectual Property Infringement Cases, effective from March 3, 2021, to prevail over other judicial interpretations in case of discrepancy. This interpretation addresses particularly the important issues below to regulate punitive damages.

Wilful or bad-faith infringement (rules 1 and 3)

All courts are required to accept the petitions for punitive damages against severe infringement of IP rights, without exception for refusal. At the same time, the SPC has unified the definitions of "wilful" and "bad-faith" and confirmed that the former includes the latter to prevent ambiguity.

The factors for the courts to comprehensively determine wilful infringement include, but are not limited to, the types of rights, the status, the fame of relevant products, the relationship between the defendants and plaintiffs or interested parties.

The interpretation lists several typical scenarios of wilful infringement:

1. Continuous infringement after warning;
2. Sharing the same executive(s) between the defendant and plaintiff or its interested party;
3. Prior contact with others' rights through working or business relations; or
4. The defendants' earlier piracy or trademark passing off.

The list does not preclude the courts from adding possible other scenarios. As time goes on, we can expect that the list will expand through new cases.

Limitation on plaintiffs (rule 2)

The interpretation provides the plaintiffs with responsibilities: 1) to clarify the amount of damage, ways of calculation, and the facts and reasons at the time of suing; and 2) not to petition for increasing punitive damages after the first-instance court debate, or to file separate lawsuits.

This is designed to prevent plaintiffs abusing the rights to increase damages and will force the plaintiffs to do their homework more carefully.

Severe scenarios (rule 4)

The courts, when determining severe scenarios of infringement, are supposed to consider comprehensively factors including, but not limited to, the method of infringement, times, duration, geographical area, scale, consequences, and infringers' behaviour during trials. The factors are not all-inclusive but will help the courts check.

The SPC has listed several typical circumstances of severity as follows:

1. Repeating infringement after the same or similar infringement was once legally recognised;
2. Habitual infringement;
3. Forging, destroying, or hiding evidence of infringement;
4. Refusing to follow the preservation decision;
5. Infringers' huge profit from infringement or the right owners' huge loss; or
6. Possibility to harm national security, public interests or human health.

Amounts of punitive damages (rule 5)

Punitive damages shall be based on the plaintiff's actual loss, the defendant's illicit revenue, the benefit obtained from infringement, or the multiples of royalty, which means that it can be based on one-times royalty, or two or more times the royalty. The plaintiff's reasonable expenses for stopping the infringement shall not be included as the basis of punitive damages, although it is a part of the total damages.

As China does not have a discovery procedure, it is always difficult to collect evidence in the infringers' control. In this event, the courts may order the infringers to submit the account books or materials relating to the infringement in their control. If the infringers refuse to submit without justifiable reason or submit fake account books or materials, the courts are empowered to refer to the plaintiff's one-sided claims and evidence only. In this way, the infringers might be forced to submit the relevant evidence.

Otherwise, an uncooperative attitude may have negative influence on the courts' rulings or lead to fines, detention or even criminal liability, in addition to higher damages.

Multiples of punitive damages (rule 6)

The SPC requires all courts to consider the degree of the defendant's subjective fault or the severity of infringement to determine the multiples of punitive damages. Already imposed administrative or criminal fines cannot be the sole reason for reduction or exemption of punitive damages, although the courts may consider such fines when deciding the multiples.

General comments

The interpretation was born out of China's increasing need for stronger protection of IP rights at a time when the country aspires to upgrade its economy and to be more innovative. The interpretation should be helpful in this regard.

The SPC has indicated that it plans to release more typical cases to better illustrate the interpretation.

Updates on Chinese Courts' Views on OEM Use of Trademarks

By [Ms. Jiao Ren](#)

In mainland China, it has long been a controversial issue whether or not trademark use in Original Equipment Manufacturer (hereinafter referred to as “OEM use”) should be regarded as valid trademark use to resist non-use cancellation or constitute infringement on others’ prior registered trademarks. There is even no consensus among the courts and governmental organs, even though the Supreme People’s Court’s (SPC) precedents are more influential.

- **Earlier leading trend: effective use but not infringement**

Before September 2019, in terms of non-use cancellation, the OEM use was often regarded as effective evidence to resist a non-use cancellation, primarily for two reasons—1) the purpose of non-use cancellation is to encourage the use of the mark, rather than to cancel a registered trademark; and 2) since OEM production is a positive intention to use the trademarks, such use should be encouraged.

In terms of infringement, OEM use was often not regarded as trademark infringement, mainly for the reason that the OEM goods do not enter the Chinese market, and accordingly, will neither function to indicate the source of goods nor cause confusion among the relevant consumers. In practice, the customs also tend to release the OEM goods after receiving the documents proving that the goods are only exported to other countries.

- **Landmark HONDA case**

In September 2019, the SPC retried an infringement case No. 2019-SPC-Min-Zai 138 relating to the trademark HONDA and made a landmark judgement.

Honda owns in China trademarks Nos. 314940, 1198975, and 503699, all containing the word HONDA or the Honda logo and covering the goods such as vehicles, motorcycles, etc. in class 12. In June 2016, the Kunming Customs seized 220 motorcycle parts labeled with the trademark HONDAKIT, which were produced by Heng Sheng Group Company and were being exported to Myanmar by Heng Sheng Xintai Trading Company. The trademark HONDAKIT is not registered in China but registered in Myanmar by the managing director of Myanmar Meihua Corporation, the entrusting party of the seized goods.

Honda filed a lawsuit with the local court, claiming trademark infringement. In the first instance, the court ascertained trademark infringement, but the second-instance appeal court overthrew the first judgement and ruled that the defendants’ OEM goods constituted no trademark infringement.

Honda then requested for the SPC’s retrial. In the retrial judgement, the SPC cancelled the second-instance judgement and ascertained the infringement and reasoned as follows:

1. If a trademark is used in labeling or other ways on the manufactured or processed products, the use should be categorized as “trademark use” so long as there exists the **possibility** of distinguishing the source of the goods.

The relevant public includes not only consumers but also other business that is closely related to the marketing of goods or services. In this case, there exists the **possibility** of contact with the business in transportation. Moreover, with the development of e-commerce and the Internet, even if the OEM goods are exported, it remains possible for the goods to return to China. A large number of Chinese consumers travel and consume abroad, and there also exists the **possibility** of contact and confusion.

Therefore, there exists the **possibility** that the trademark on the OEM goods function to distinguish the source of goods for the relevant public. Therefore, the OEM use has constituted trademark use.

2. Since both the word and logo are confusingly similar to HONDA’s registered trademarks on identical or similar goods, there exists the **possibility** of confusion and misunderstanding by the relevant public. Therefore, the OEM use has infringed Honda’s trademark rights.
3. Trademark rights enjoy **territorial** protection. For trademarks that are not registered in China, even if they are registered in foreign countries, they cannot enjoy the exclusive right in China. Consequently, the so-called “authorization to use trademark” claimed by the defendants shall not be protected under the Chinese Trademark Law and such claim cannot be used as a defense against trademark infringement.

- **Updated leading trend: infringement and effective use**

On July 27, 2020, the SPC announced *the Guiding Opinions on Standardizing Application of Law and Strengthening Search for Similar Precedents (Trial)* to absorb the benefits of case law and officially accept citation of precedents. The SPC provided the scope of precedents in four tiers. Only the top tier, namely the SPC’s announced guiding cases, shall be binding and followed by all courts, whereas the remaining three tiers, including the second tier of the SPC’s announced typical cases and effective judgements, are not. The HONDA case, though in the second tier, has become an important reference for all courts, though not binding.

After this landmark precedent, the local courts followed the SPC’s example by ascertaining OEM use as trademark infringement in the recent judgements, including a first-instance judgement and five second-instance judgements, where the local courts almost copied the SPC’s new reasoning or theory.

Simultaneously, the customs also changed their attitude. Currently, if the OEM goods suspicious of infringing trademarks are detained and/or seized at the border, even though evidence proves that the goods are only for exportation, the local customs will proceed with the detainment and/or seizure.

In non-use cancellation cases, the OEM use remains effective evidence, which is further confirmed by the Beijing High People’s Court in its *Guidelines for the Trial of Trademark Right Granting and Verification Cases (2019)*.

- **Pragmatic suggestions**

1. **Search trademark before use:** Since it usually takes approximately a year to smoothly register a trademark in China, if a company needs to manufacture the goods urgently, it is advisable to 1) conduct trademark search in the China National Intellectual Property Administration (CNIPA)'s database to see whether there are prior identical or confusingly similar trademarks on identical or similar goods; and 2) conduct search in the General Administration Custom of China (GACC)'s database to see whether the prior identical or similar registered trademarks, copyright and/or patents have been recorded before the customs. In the positive case, the risk of customs' detainment and/or seizure will be large.
2. **Register trademark:** In the first-to-file country China, trademark registration is always a cost-efficient and safe strategy. As OEM use is effective use in China, the risk of non-use cancellation is slim.

Enforcement of Civil Judgments in China

By [Ms. Shumin He](#) and [Mr. Xiaoming Liu](#)

After the Chinese courts' civil judgments come into effect, the losing parties (hereinafter referred to as "debtors") are often cooperative to comply with the judgments, but some debtors are not. If the debtors refuse or delay to comply with the judgments, the winning parties (hereinafter referred to as "creditors") are entitled to request for forcible enforcement.

To enforce the judgments, the courts are empowered to take multiple measures including prohibition of luxury consumption, judicial custody and criminal punishment against debtors. The measures are usually deterrent to the debtors, which secures the high rate of enforcement.

According to the latest statistics from the China Enforcement Information Open Network, in the fourth quarter of 2020 there were 17,691 cases in total involving the enforcement of intellectual property judgments. Of the total, 9,401 were newly received and 8,290 were old ones; and, 15,515 cases have been concluded and 2,176 cases have not, with a settlement rate of 87.7%, which proves great progress in the enforcement of court's judgments.

We would introduce the forcible enforcement of civil judgments in this article.

1. Timing for request for forcible enforcement

The creditors are entitled to request for forcible enforcement within two years after the civil judgments come into effect. From our experiences, the earlier the request is filed, the better. Otherwise, the uncooperative debtors might take time to transfer their property and/or set obstacles against the enforcement. Moreover, the changing circumstances might make enforcement more difficult, or even impossible. For example, if the debtors go bankrupt, the creditors are supposed to declare their debts within prescribed period of time. After the deadline, the terminated debtors might have nothing to settle the debts or have disappeared.

2. Competent courts for enforcement

The enforcement request should be filed with the first-instance courts or the courts at the same level in the place where the property to be enforced is located. As an exception, if the judgments are made by the three specialized intellectual property courts in Beijing, Shanghai and Guangzhou, the enforcement shall be handled by the designated courts.

3. Requisite documents for requesting enforcement

- 1) Written application;
- 2) Power of attorney (POA);
- 3) Certificates of identity of both the creditors and debtors;
- 4) Courts' judgments; and
- 5) Other helpful information and documentation (e.g., clues of the debtors' property, preservation orders).

If the creditors are foreign parties, notarization, legalization and translation of relevant documents will be needed. However, if the “authorization to participate in enforcement procedure” is included in the original scope of authorization at the very beginning of the lawsuit when the POAs are provided, normally there will be no need to redo the notarization, legalization and translation. Therefore, it is important to have a broad scope of authorization in the original POAs, particularly because of the difficulty to do notarization and legalization at this hard time of pandemic when the consulates and notary public offices cannot work regularly.

4. Time limit to finish enforcement

According to relevant laws and regulations, the courts shall enforce the requested judgments within six months counting from the date of receiving the written request. In practice, the courts normally need around 10 to 30 days. The entire enforcement takes around four months on average, including potential negotiation between the creditors and debtors. However, if the debtors are insolvent or other obstacles arise, the courts may suspend the enforcement until enforcement is possible.

5. Courts’ enforcing measures

- 1) Search for property clues, including company bank accounts, stocks, funds, cars, real estates, etc., if the creditors cannot provide the debtors’ property clues. Once the property is located, the courts may seal up, seize or freeze the property, which will bring a lot of inconvenience to the debtors’ business or even heavy impact on their daily operation. It is highly advisable for the creditors and the representing lawyers to find out the clues and inform the courts to facilitate enforcement;
- 2) Restrict the debtors’ and its legal representatives’ luxury consumption, which can limit the debtors’ travel, accommodation, and living (e.g., limitation on taking airplanes and hi-speed trains, staying in star hotels, getting bank loans);
- 3) Blacklist the debtors as dishonest parties. Such information is open to public and may heavily impact the debtors' business and reputation;
- 4) Place the dishonest debtors or their legal representatives in judicial custody, which will be more deterrent; and/or
- 5) Impose criminal punishments on the worst dishonest debtors, including imprisonment and fines.

After the courts take enforcing measures against the debtors and/or their legal representatives, the creditors will be in a stronger position to gain an upper hand in the potential negotiation. Therefore, we suggest the winning creditors request for forcible enforcement at an earlier stage, in case the debtors are reluctant to perform obligations confirmed by the effective court judgments. The sooner the better!

China's New Project to Curb Malicious Filing in 2021

By [Ms. Haoyu Feng](#)

On 24 March 2021, the China National Intellectual Property Administration (CNIPA) announced the Special Project to Crack Down Malicious Trademark Filing, aiming at ten types of conducts harming either the public or private interests or rights, namely:

1. Maliciously squatting the names of national or regional strategies, major events, policies, projects, and scientific and technological programs;
2. Maliciously squatting the terms and signs relating to such public emergencies as major natural disasters, accidents, public sanitary incidents, and social security incidents, which harms the public interests;
3. Maliciously squatting the names and logos of high-profile tournaments and exhibitions;
4. Maliciously squatting such public resources as the names of administrative divisions, mountains and rivers, scenic spots, and buildings;
5. Maliciously squatting such public business resources as the generic names of goods or services and industrial terms;
6. Maliciously squatting the names of public figures, famous works or characters;
7. Maliciously squatting others' famous and highly distinctive trademarks or commercial signs, which harms others' prior rights and interests;
8. Evident violation of the forbidden scenarios prescribed in Article 10 of the Trademark Law or violation of the public order and good customs, which imposes passive and negative social impact on China's politics, economy, cultures, religions and ethnic groups;
9. The trademark agencies' acceptance of representation or disturbance of the trademark representation order by other unfair means even though the agencies have known or should have known the aforesaid conducts; and
10. Other conducts evidently violating the principle of honesty and credibility.

In the first phase, the local intellectual property offices and trademark examination centers were required to collect and report the clues of malicious filing to the Trademark Office for actions in March 2021. During the second phase of implementation from April through October 2021, the recognized squatters and agencies will be punished. In November and December 2021, the CNIPA will appraise and conclude the Project and announce the results.

As China is strong in administrative enforcement, we expect that the rampant malicious filing will be curbed in a way and the relevant filers and agencies will be punished.

The Supreme People's Court Interpretation Concerning Application of Punitive Damage in Civil Cases of Intellectual Property Right Infringement

Translated by [Ms. Haiyu Li](#) and [Mr. Tingxi Huo](#)

(#Fashi 2021-4)

(Passed at the 1831st Session of the Judicial Committee of the Supreme People's Court on 7 February 2021, effective as from 3 March 2021)

For the purpose of correctly implementing the system of punitive damage in intellectual property right cases, lawfully punishing severe infringement of intellectual property right, fully strengthening the protection of intellectual property right, according to such relevant laws as the Civil Code, Copyright Law, Trademark Law, Patent Law, Anti-Unfair Competition Law, Seed Law and Civil Procedure Law, in combination with the trial practices, this Interpretation is made.

Rule 1 Where a plaintiff sues a defendant for willful infringement of its legitimate intellectual property right in severe scenarios and petitions for punitive damage, the people's court shall review and process it according to the law.

“Willful” in this Interpretation includes the bad faith prescribed in Article 63.1 of the Trademark Law and Article 17.3 of the Anti-Unfair Competition Law.

Rule 2 Where the plaintiff petitions for punitive damage, when filing the lawsuit, the plaintiff shall clarify the amount of damage, ways of calculation, and the facts and reasons based on.

Where the plaintiff petitions for increase of punitive damage before the first- instance court debate ends, the people's court shall permit. Where petition for increase of punitive damage is raised in the second instance, the people's court shall mediate between the parties under the principle of voluntariness. Where the mediation fails, the parties shall be notified to file a separate lawsuit.

Rule 3 In determining willful infringement of intellectual property right, the people's court shall put into comprehensive consideration such factors as the type of the infringed intellectual property right, the status of the right, the fame of the relevant product, the relationship between the defendant and the plaintiff or the interested party.

In scenarios listed below, the people's court may preliminarily determine the defendant's willful infringement of intellectual property right.

- 1) The defendant continues infringement after the plaintiff or interested party's notification or warning;
- 2) The defendant or its legal representative or manager is the plaintiff or interested party's legal representative, manager, or actual controller;
- 3) The defendant has such relationship as labor, employment, cooperation, license, distribution, agent, or representative with the plaintiff or the interested party and had gotten in touch with the infringed intellectual property right;
- 4) The defendant had business contact with the plaintiff or the interested party or had negotiation in order to reach agreement and got in touch with the infringed intellectual property right;
- 5) The defendant has conducted piracy or trademark passing off; or
- 6) Other scenarios that can be determined as willfulness.

Rule 4 In determining severe scenarios of infringement of intellectual property right, the people's court shall put into comprehensive consideration such factors as the way of infringement, times, duration, geographical area, scale, consequence, infringers' conducts in trial.

Where the defendant has any of the circumstances listed below, the people's court may determine a severe scenario.

- 1) Conducting the same or similar infringement again after administrative punishment or judicial ruling of liability because of infringement;
- 2) Living by infringing intellectual property right;
- 3) Forging, destroying, or hiding evidence of infringement;
- 4) Refusing to fulfil the preservation decision;
- 5) Huge profit from infringement or huge loss of the right owner;
- 6) Infringing conducts possible to harm national security, public interests or human health; or
- 7) Other circumstances that can be determined as severe scenarios.

Rule 5 When deciding the amount of punitive damage, the people's court shall accord with the relevant laws and make calculation on the basis of the plaintiff's actual loss, the defendant's illicit revenue, or benefit obtained from infringement. The basis shall not include the plaintiff's reasonable expenses for stopping the infringement. Where the law provides other rules, the rules shall be accorded with.

Where the actual loss, illicit revenue, benefit obtained from infringement mentioned in the preceding paragraph are all difficult to calculate, the people's court shall reasonably decide by referring to the multiples of royalty of the right and take it as the basis for calculating punitive damage.

Where the people's court orders the defendant to submit the account books or materials related with the infringement in his control and the defendant refuses to submit without justifiable reason or submits fake account books or materials, the people's court may refer to the plaintiff's claims and evidence to decide the calculating basis for punitive damage. Where a scenario prescribed in Article

111 of the Civil Procedure Law arises, legal liability shall be pursued according to the law.

Rule 6 When determining the multiples of punitive damage according to the law, the people's court shall put into comprehensive consideration such factors as the degree of the defendant's subjective fault or the severity of infringement.

Where administrative or criminal fine has been imposed and collected for the same infringing act and the defendant requests for reduction or exemption of punitive damage, the people's court shall not agree, but may put into comprehensive consideration when deciding the multiples mentioned in the preceding paragraph.

Rule 7 This Interpretation shall take effect as from 3 March 2021. Where the judicial interpretations released by the Supreme People's Court are inconsistent with this Interpretation, this Interpretation shall prevail.

Note: This is not the Supreme People's Court's official translation. If discrepancies arise, the original official Chinese version prevails.

CNIPA Releases Guiding IP Cases for Administrative Enforcement

By [Ms. Haoyu Feng](#)

On December 15, 2020, the China National Intellectual Property Administration (CNIPA) released “Guiding IP Cases for Administrative Enforcement”, aiming to provide guidance to the Administration for Market Regulation (AMR) across mainland China to regulate the administrative enforcement of IP.

This is the first time that the CNIPA has released guiding cases, including three trademark cases, an invention case and a case relating to integrated circuit layout design.

The article analyses the three trademark cases to assist trademark owners and professionals in understanding and benefiting from new trends.

Case 1: Infringing use of a trademark in online advertisement of keyword search

This case is about online advertisement. Dun & Bradstreet owns the trademarks ‘Duns’ in English and Chinese, registered in China.

Shanghai Zhangyuan, without extended authorisation after expiration of the licence, continued to advertise its services through the search engine Baidu with the keyword ‘Duns’, confusingly indicating its connection with the trademark owner.

By March 2019, when a complaint was filed, eight companies had been misled by the infringer and paid CNY179,910 (\$27,813). The AMR ordered the infringer to stop infringement and imposed a triple fine of CNY539,730. Through this case, the CNIPA confirms that keywords advertisements on search engines may constitute trademark use, and accordingly, trademark infringement.

Case 2: Wilful infringement proved by associated shareholders and filing history

The case is about exemption of sellers’ liability of infringement. When inspecting the market on January 9, 2018, the Beijing AMR noted that the dealer HongYuanLiDe was selling sports shoes infringing registered trademarks belonging to Asics. The dealer’s turnover added up to more than CNY11 million. The dealer stated that it purchased the shoes from the supplier Quanzhou AiShiKeShi and was unaware of Asics’ marks.

An investigation revealed that the dealer was associated with the supplier as their shareholders cross-held positions in the respective companies. The supplier had applied for similar trademarks which had been rejected. The association and unsuccessful filing history prove the dealer’s corresponding prior knowledge and wilful infringement.

The AMR confiscated the infringing shoes on stock, ordered the dealer to stop infringement, and imposed a quintuple fine of more than CNY55 million, a record high.

Case 3: Contractor’s purchase and use of trademark infringing goods constitutes trademark-infringing sale

The case is about a contractor's trademark infringement. In June 2019, the Hubei AMR found out that a contractor had been using legitimate goods, but later purchased from a suspicious salesperson 60 waterproof rolls infringing a registered trademark.

The rolls were just purchased and had not been put into use and the contractor had not arranged payment of CNY22,800. During the AMR's investigation, the contractor transferred and replaced the 60 rolls, trying to avoid punishment.

The AMR decided that the contractor's purchase and preparation to use should be regarded as sales of infringing goods and constitute trademark infringement. The contractor was ordered to stop infringement and fined CNY200,000 and the infringing goods were confiscated and destroyed.

Comments

The three trademark-related guiding cases have explicitly categorised the three types of trademark use as infringement and will help the AMRs nationwide to punish similar infringement more consistently and efficiently.

The guiding cases were released by the CNIPA and binding on all AMRs, but they were not binding on the customs, or the Public Security Bureaus (PSBs, ie, the police), or the courts. However, as the CNIPA has absorbed the other organs' opinions in the relevant precedents and judicial interpretation, and the guidance contains the wisdom of almost all the Chinese trademark-enforcing organs and courts, these guiding cases can be helpful for the different organs and courts to determine trademark infringement in a more consistent and harmonised manner in both administrative and judicial cases and make the results more predictable.

The CNIPA has not officially released administrative cases of IP enforcement and this is a good start. We can expect that as time goes on, the CNIPA will release more guiding cases to clear ambiguities and improve enforcement of intellectual property.

General information and advice

In mainland China, in addition to judicial enforcement, it is also possible to enforce IP rights through the administrative organs, namely the customs, the PSBs and AMRs (formerly the Administration for Industry and Commerce) at different levels all over the country.

The AMR is China's unique administrative organ to enforce IP, with a staff of about half a million spread out all over the country in more than 2,000 offices at four levels, from the national down to the county or district level.

Compared with the courts who need lengthy examination of all the details, AMRs usually can take swift actions against infringement immediately after it conducts its own investigation or collects or receives clear-cut evidence from the public or the interested parties.

If infringement can be confirmed, AMRs are empowered to stop infringement, confiscate and/or destroy infringing goods and tools, and/or fine the infringer. In addition, the AMRs do not charge

official fees for its enforcement, whereas the courts charge official fees and are very strict with the notarisation, legalisation, translation of documents, which can be quite complicated and consume heavy resources. The evidence seized by AMRs can be more convincing in litigation.

However, AMRs cannot handle criminal cases or grant damages, which shall be handled by the police and courts, and often refuse cases of vague infringement. Furthermore, AMR decisions can be appealed to a higher AMR or the courts, although such situations seldom happen.

With all put into consideration, if a company wishes to stop IP infringement quickly in mainland China, use of an AMR should be a priority consideration. If the company aims at higher damages, it is still advisable to first file a complaint with a local AMR, before the lawsuit, to acquire strong evidence in support of the damages.

Comparative Guide to Trademark Law

By [Mr. Xiaoming Liu](#) and [Ms. Haoyu Feng](#)

1. Legal framework

1.1 What is the statutory or other source of trademark rights?

The Trademark Law of the People's Republic of China

1.2 How do trademark rights arise (ie, through use or registration)?

Through registration.

1.3 What is the statutory or other source of the trademark registration scheme?

- The Trademark Law of the People's Republic of China;
- The Regulation on the Implementation of the Trademark Law; and
- The Trademark Review and Adjudication Rules and the Trademark Examination and Adjudication Guidelines published by the China National Intellectual Property Administration.

2. What constitutes a trademark?

2.1 What types of designations or other identifiers may serve as trademarks under the law?

Any sign that is capable of distinguishing the goods of a natural person, a legal person or any other organisation from those of others – including a word, device, letter, numeral, three-dimensional symbol, combination of colours or sound, as well as a combination of the above – may serve as a trademark for registration application.

2.2 What are the requirements for a designation or other identifier to function as a trademark?

The trademark for registration:

- must be distinctive for easy identification;
- may not be prohibited under the Trademark Law; and
- may not conflict with any prior legal rights acquired by others.

2.3 What types of designations or other identifiers are ineligible to function as trademarks?

The following types of designations are ineligible to function as trademarks:

- marks that are devoid of distinctiveness, such as those that consist only of:
 - the generic names, devices or model numbers of the goods concerned; or
 - a direct representation of the quality, primary raw materials, functions, intended purposes, weight, quantity or other characteristics of the goods concerned;
- marks that are prohibited under the Trademark Law, such as those which:

- are identical or similar to the name, flag or emblem of China or another foreign countries or international intergovernmental organisation; or
- are deceptive, with the potential to easily mislead the public regarding the quality or origin of the goods (see question 3.8); and
- marks that conflict with the prior legal rights of others, including trademark rights, copyright, trade names, personal names or even commercialisation rights.

3. Registration procedure

3.1 Which governing body (i.e., trademark office) controls the registration process?

The China National Intellectual Property Administration.

3.2 What fees does the trademark office charge for an application, during prosecution and for issuance of a registration?

Only an application fee.

3.3 Does the trademark office use the Nice Classification scheme?

Yes.

3.4 Are ‘class-wide’ applications allowed, or must the applicant identify the specific goods or services for which the mark will be used?

‘Class-wide’ applications are not allowed; the relevant goods and/or services must be specified.

3.5 Must an applicant have a bona fide intention to use the trademark for the goods or services identified in the application in order to apply for registration?

No. However, a bad-faith application for trademark registration for a purpose other than use shall be rejected according to Article 4 of the Trademark Law.

3.6 Does the trademark office perform relative examination of trademark applications (i.e., searches for earlier conflicting marks)?

Yes.

3.7 What types of examinations does the trademark office perform other than relative examination?

Distinctiveness and public policy (see question 3.8)

3.8 Apart from confusion with a senior mark, descriptiveness and genericness, are there other grounds under which a mark is ineligible for registration, such as public policy reasons?

Yes. The grounds for refusal of registration regarding public policy include the following:

- The mark is identical or similar to the name, national flag, national emblem, national

anthem, military flag, military emblem, military anthem or decoration of China; or is identical to the name or symbol of a central state organ, the name of the specific place where it is located or the name or design of its landmark building;

- The mark is identical or similar to the name, national flag, national emblem or military flag of a foreign country, except as permitted by the government of that foreign country;
- The mark is identical or similar to the name, flag or emblem of an international intergovernmental organisation, except as permitted by the organisation or unless it would not generally mislead the public;
- The mark is identical or similar to an official sign or an inspection mark which indicates control or provides a guarantee, except as authorised;
- The mark is identical or similar to the name or sign of the Red Cross or the Red Crescent;
- The mark incorporates aspects that constitute ethnic discrimination;
- The mark is deceptive and would easily mislead the public regarding the quality or origin of goods; or
- The mark would be detrimental to socialist morality or mores, or would have any other adverse effect.

3.9 Is there a separate or supplemental register on which descriptive marks may be registered?

No. However, if a descriptive mark has obtained distinctiveness through use and can be easily identified, it may be registered as a trademark by filing use evidence to overcome rejection due to descriptiveness.

3.10 Can a third party object to registration of a mark before the application has been published (e.g., by letter of protest to the trademark office)?

Normally no. However, it is possible to submit a letter of protest to the trademark office if the mark has been filed in bad faith.

3.11 Must the applicant use the trademark commercially in order to obtain a registration?

No. There is no need to file use evidence or a statement of intent to use to have a mark registered.

3.12 How much time does it typically take from filing an application to the first office action?

Around three months to receive notification of amendment, if the goods or services are not acceptable.

Around five to eight months to receive notification of refusal.

3.13 How much time does it typically take from filing an application to publication?

Around nine months.

4. Appeals

4.1 If the trademark office refuses registration, can the applicant appeal? If so, to what body and by what procedure?

Yes, the applicant is entitled to file an appeal against the rejection before the China National Intellectual Property Administration (CNIPA) within 15 days of receipt of the notification.

4.2 What is the procedure for appealing a trademark office refusal?

- The applicant must file an appeal with CNIPA against the rejection within the specified deadline. It is possible first to file an appeal with outlined arguments before the deadline and then supplement this with detailed arguments and evidence in the following three months.
- The CNIPA will issue an official filing receipt if the documents satisfy the formality requirement.
- The CNIPA then makes an appeal decision.

4.3 Can the reviewing body's decision be appealed? If so, to what body and by what procedure?

Yes. The applicant is entitled to file a lawsuit with the Beijing Intellectual Property Court within 30 days of receipt of the decision.

5. Oppositions

5.1 Can a third party oppose a trademark application?

Yes.

5.2 Who has standing to oppose a trademark application?

A prior rights holder or materially interested party has standing to oppose a trademark based on prior rights (relative grounds).

Anyone has standing to oppose a trademark based on public policy and/or lack of distinctiveness (absolute grounds).

5.3 What is the timeframe for opposing a trademark application?

Within three months of the preliminary publication date of the trademark.

5.4 Which body hears oppositions?

The Trademark Office of the China National Intellectual Property Administration (CNIPA).

5.5 What is the process by which an opposition proceeds?

- The opponent files an opposition with CNIPA within three months of the preliminary publication date. It is possible first to file an opposition with outlined arguments before this deadline and then supplement this with detailed arguments and evidence in the following three months.
- The CNIPA will issue an official filing receipt if the documents satisfy the formality requirement.
- The CNIPA will then issue one set of filing documents to the trademark owner for response within 30 days of the date of receipt. It is possible to supplement this response with further arguments and evidence within the following three months.

- The trademark owner's response (if any) will not be served on the opponent for review and rebuttal.
- The CNIPA will issue its opposition decision based on the opponent's arguments and the trademark owner's response (if any).

5.6 Can the decision on the opposition be appealed? If so, to what body and by what procedure?

If the opposed mark is approved for registration in the opposition proceedings, this decision cannot be appealed.

However, if registration is refused in the opposition proceedings, the trademark applicant is entitled to appeal this decision with the appeal department of the CNIPA within 15 days of receipt of this decision.

6. Rights of registered and unregistered marks

6.1 What, if any, protection is afforded to unregistered trademarks?

An unregistered trademark can be protected:

- in respect of identical or similar goods or services based on the Trademark Law, if it has achieved well-known status; or
- under the Anti-Unfair Competition Law, if it is also a famous product or service name.

In practice, however, it is difficult to prove that a trademark has achieved well-known status in mainland China.

If the trademark owner has used its trademark in mainland China without registering it prior to the application date of a third party's registered trademark, and if its trademark has a certain influence, then that third party will have no right to prohibit the trademark owner from using its trademark within the original scope of use.

However, the third party can require the trademark owner to add an appropriate distinguishable sign to its mark (Article 59 of the Trademark Law).

6.2 What legal rights are conferred by a trademark registration?

- Exclusive use right: The trademark owner is entitled to use the registered trademark on the approved goods or services and to use the registration symbol (®). Others cannot use the trademark without the trademark owner's authorisation.
- Licence right: The trademark owner can license its registered trademark to another party by entering into a trademark licence contract.
- Assignment right: The trademark owner can assign the registered trademark to others in accordance with legal procedures and conditions.
- Mortgage right: The trademark owner can mortgage its registered trademark to others.
- Investment right: The trademark owner has the right to invest its registered trademark as an intangible asset in accordance with legal provisions and legal procedures.
- Renewal right: The trademark owner has the right to renew its registration.
- Prohibition right: The trademark owner is entitled to stop others from using an identical or similar trademark on the same or similar goods or services.

- Inheritance right: If the trademark owner dies, his or her legal heir will have the right to possess, use, benefit from and dispose of the registered trademark.

6.3 If there is a separate register for descriptive marks, what legal rights are conferred by registration therein?

There is no separate register for descriptive marks.

If a descriptive trademark has obtained a high reputation through substantial long-term use, the applicant can try to register the mark with the China National Intellectual Property Administration. However, the descriptive trademark will still initially be rejected on absolute grounds, so the applicant will have to appeal and submit evidence of substantial use to prove that the trademark has obtained distinctiveness through use. It can then be registered as a trademark.

7. Enforcement and remedies for trademark infringement

7.1 What remedies are available against trademark infringement?

China has a dual-track enforcement system for IP infringement: administrative enforcement and judicial enforcement. Judicial enforcement includes civil remedies and criminal remedies.

The remedies in administrative enforcement include:

- cessation of the infringement;
- confiscation or destruction of infringing articles and materials or implements used mainly to manufacture the infringing products; and
- fines, which can be as high as five times the infringer's illegal business revenue.

The remedies in civil lawsuits include:

- injunctions;
- cessation of the infringement;
- destruction of infringing articles and materials or implements used mainly to manufacture the infringing products;
- compensation for damages and legal expenses; and
- elimination of influences (i.e., publication by the infringer of statements acknowledging the infringement in order to counteract any negative impact that the infringement may have had on the mark's goodwill).

Punitive damages are available, which can be as high as five times the mark owner's losses or the infringer's profits. Statutory damages can be as high as RMB 5 million.

The remedies in criminal lawsuit include:

- fines; and
- imprisonment for up to seven years, which will be increased to 10 years from 1 March 2021.

7.2 What remedies are available against trademark dilution?

Dilution applies only to the protection of well-known trademarks in China. The trademark owner may seek the remedies outlined in question 7.1.

7.3 Does the law recognise remedies against other harms to trademark rights besides infringement and dilution?

Besides infringement and dilution, the following activities are considered to constitute harm to trademark rights and are prohibited by law (mainly by the Anti-Unfair Competition Law):

- using a third party's registered trademark or unregistered well-known trademark as a trade name or enterprise name in a way that would mislead the public, which constitutes unfair competition;
- trademark squatting and then filing litigation in bad faith; or
- conducting other activities which may cause confusion and constitute unfair competition.

7.4 What is the procedure for pursuing claims for trademark infringement?

- Filing an Administration for Market Regulation complaint against the infringer to seek administrative enforcement;
- Filing a civil lawsuit against the infringer with the competent court; or
- Filing a complaint or reporting clues to the police for a criminal investigation, which may lead to criminal prosecution by the competent procuratorate. The trademark owner can claim damages in some criminal proceedings, although this is rare. It is also possible to initiate a separate civil lawsuit to claim damages after the criminal proceedings.

7.5 What typical defences are available to a defendant in trademark litigation?

- No likelihood of confusion;
- Fair use without bad faith;
- Exhaustion of trademark rights;
- Invalidity of the trademark registration;
- Prior and continued use of the trademark within its original scope;
- Use by an original equipment manufacturer without local sales;
- Abuse of the rights of squatters; or
- Procedural defects such as expiration of the deadline to take legal action or objection to the jurisdiction of the courts.

7.6 What is the procedure for appealing a decision in trademark litigation?

If any party is dissatisfied with the first instance decision, it is normally entitled to appeal to a higher court at second instance. The second instance is normally the last instance and its ruling will be final (where the first instance court is the Supreme People's Court, there is no opportunity to appeal to a second instance court).

However, a retrial once a decision has come into effect is also possible under very strict conditions, such as where there are obvious mistakes in the ruling or where there were substantial procedural defects in the previous proceedings.

8. Maintenance and removal of registrations

8.1 What is the length of the initial term of registration and what is the length of renewal terms?
The initial term of registration is 10 years. The trademark may be renewed indefinitely for subsequent 10-year terms thereafter.

8.2 What, if anything, must be submitted to the trademark office to maintain or renew a registration?

The application form for renewal, together with power of attorney and identity documentation and the renewal fee.

8.3 What are the grounds for cancelling a trademark registration?

The absolute grounds for invalidation are as follows (Article 44 of the Trademark Law):

- The trademark was registered in bad faith without intent to use;
- The trademark incorporates or consists of prohibited characteristics which are in violation of public policy (see question 3.8);
- The trademark is devoid of distinctiveness (see question 2.3); or
- The registration was obtained through deceptive means or other improper means.

The relative grounds for invalidation (Article 45 of the Trademark Law) are as follows:

- The trademark infringes the prior legal rights of others, including trademark rights, copyright, trade names, personal names or even commercialisation rights.

The grounds for cancellation are as follows (Article 49 of the Trademark Law):

- The trademark owner changes its registered trademark, or its name, address or other registered particulars, and fails to rectify the matter within the prescribed timeframe stipulated by the local Administration for Industry and Commerce;
- The registered trademark becomes the generic name of the goods for which it has been approved; or
- The registered trademark is not used for three consecutive years without a legitimate reason.

8.4 Under what circumstances may the trademark office cancel a registration on its own initiative?

Please see question 8.3.

8.5 What is the procedure by which a third party may seek cancellation of a trademark registration?

Invalidation on absolute grounds:

- Any entity or individual can file an application to request the China National Intellectual Property Administration (CNIPA) to declare a registered trademark invalid on absolute grounds at any time.
- The CNIPA will serve a copy of the invalidation documents on the trademark owner along with a notification for response within a designated timeframe.
- The CNIPA will issue its decision within nine to 12 months of the date of receipt of the

application.

Invalidation on relative grounds:

- Prior rights holders and interested parties can file an application to request the CNIPA to declare a registered trademark invalid on relative grounds within five years of registration of the trademark. However, the owner of a well-known trademark is not subject to this five-year timeframe if the registration was registered in bad faith.
- The CNIPA will serve a copy a copy of the invalidation documents on the trademark owner along with a notification for response within a designated timeframe.
- The CNIPA will issue its decision within 12 to 18 months of receipt of the application.

Cancellation:

- Any entity or individual can file an application with the CNIPA to have a registered trademark cancelled.
- The CNIPA will serve a copy a copy of the cancellation documents on the trademark owner, along with a notification for response within a designated timeframe.
- The CNIPA will issue its decision within nine to 12 months of the date of receipt of the application.

8.6 What is the procedure for appealing a decision cancelling a registration?

Invalidation on absolute or relative grounds: If any party is dissatisfied with the invalidation decision, it can file a lawsuit with the Beijing IP Court within 30 days of receipt of the decision. The court will notify the other party in the trademark invalidation procedure to join the lawsuit as a third party.

Cancellation: If a party is dissatisfied with the cancellation decision, it can appeal before the Appeal Department of the CNIPA within 15 days of receipt of the decision.

The Appeal Department will issue its decision within nine to 12 months of the filing date of the appeal.

If a party is dissatisfied with the appeal decision, it can file a lawsuit with the Beijing IP Court within 30 days of receipt of the decision.

9. Licensing

9.1 Are there particular requirements, such as quality control by the licensor, for a trademark licence to be valid?

No. Although the licensor must monitor the quality of the goods on which the licensee uses its registered trademark (Article 43 of the Trademark Law), this is not a requirement in order for the licence to be valid.

9.2 Must trademark licences be recorded with the trademark office or other governing body?

No, it is not a mandatory to record the licence with the China National Intellectual Property Administration (CNIPA) or another governing body. However, a trademark licence that has not been recorded with the CNIPA is not effective against a bona fide third party (Article 43 of the Trademark Law).

9.3 Can a licensor lose its rights in a trademark by failing to comply with its obligations under the licence, such as maintaining quality control?

A licensor will not lose its rights to a trademark if it fails to comply with its obligations under the licence, but it might face other legal risks and obligations. For example, if the goods of the licensee are of poor quality, the licensor's goodwill will be affected. If the goods cause damage to consumers, the licensor might bear joint liability.

10. Protection of foreign trademarks

10.1 Under what circumstances may foreign trademarks not registered in the jurisdiction be enforced (e.g., under unfair competition law)?

Foreign trademarks that have not been registered in China can be enforced in the following circumstances.

Trademark Law: According to the Trademark Law, unregistered well-known trademarks are enforceable for identical or similar goods or services. In such enforcement cases, the trademark owner must submit a large volume of evidence to prove that the alleged trademark has acquired a significant reputation and popularity in China. For instance, the trademark 拉菲 (LAFITE in Chinese) was successfully enforced in an infringement case as a foreign party's non-registered trademark.

Anti-Unfair Competition Law: Famous product names and service names are enforceable under the Anti-Unfair Competition Law. The defendant normally operates in the same or a highly related industry and improperly uses the plaintiff's product name or service name. WalMart's famous brand SAM'S CLUB (in Chinese) was once recognised as a famous service name in China and protected against misleading use by third parties.

10.2 Does the trademark office permit registration of a mark based on a foreign or international (Madrid) registration?

Yes. China is a member of both the Madrid Agreement and the Madrid Protocol.

11. Trends and predictions

11.1 How would you describe the current trademark landscape and prevailing trends in your jurisdiction? Are any new developments anticipated in the next 12 months, including any proposed legislative reforms?

Swifter prosecution: The China National Intellectual Property Administration is speeding up its examination of trademark applications. It now takes between four and six months for a trademark application to go through the formal and substantive examination.

E-filing is now possible for additional types of trademark prosecution activities, such as appeal of a rejection, submission of an application for cancellation on the grounds of non-use, oppositions and requests for invalidation.

In addition to the three IP courts in Beijing, Shanghai and Guangzhou, China has decided to establish a new IP court in Hainan in 2021.

Stronger protection: On 11 October 2019, China announced the Rules for Regulating Trademark Registration Applying Conducts, which are designed to curb abnormal trademark applications, including bad-faith filings and warehousing of trademarks, through more specific measures. These take an extremely strict approach to trademark squatting and warehousing.

On 15 June 2020, China published the Criteria to Determine Trademark Infringement, comprised of 38 rules, which aim to standardise the trademark enforcement criteria and more effectively protect the lawful rights and interests of legitimate trademark holders.

On 14 December 2020, China published the First Batch of Guiding IP Administrative Enforcement Cases, including three trademark cases and two patent cases.

On 26 December 2020, China passed the 11th Amendment to the Criminal Law, which increases the maximum penalty for trademark crimes from the current seven years' imprisonment to 10 years' imprisonment. The amendment will come into effect on 1 March 2021.

12. Tips and traps

12.1 What are your top tips for securing and maintaining watertight trademark protection and what potential sticking points would you highlight?

The registration of Chinese-character trademarks is vital in China. Such trademarks are easier for Chinese consumers to recognise and remember, and can help significantly with brand promotion. If there is no official Chinese brand, the Chinese media and consumers may give the brand their own name. In practice, many foreign trademark owners have suffered headaches due to their failure to register a Chinese-character trademark. For instance, the Latin-character mark LAFITE was registered in China as early as in 1996, but the Chinese version 拉菲 was only approved for registration in 2017. In the interim, Chateau Lafite Rothschild had to combat trademark applications for the Chinese version “拉菲” through oppositions and invalidations, and combat counterfeit wines bearing only the Chinese mark “拉菲” but without the Latin version LAFITE, which required it to file a large volume of evidence to prove the association between the Latin version and the Chinese version.

China also has a special sub-class system, with each class divided into different sub-classes. Goods and services are normally regarded as similar if they fall within the same sub-class, and are usually regarded as dissimilar if they fall within different sub-classes. It is thus important that a trademark falls within as many subclasses as possible to obtain the widest possible protection and prevent trademark squatting. For example, a renowned vehicle brand registered its mark for “car, car parts, etc.” in Sub-class 1202, but failed to cover Sub-class 1204 for “bicycle, etc.”. The mark was later squatted by a bad-faith party for “bicycle”.

Damage CNY100K Granted Despite Infringing Profit Only CNY4K

By [Mr. Xiaoming Liu](#)

In a trademark infringement civil lawsuit we represented recently, the court awarded more than CNY100K to the right owner, including CNY50K as damages and more than CNY50K as reasonable legal expenses.

The right owner tried to firstly solve this case through criminal procedure as the infringing scenario seemed serious. The right owner conducted initial investigation, collected some clues, and then, reported to the local police. However, after the police and the local procuratorate conducted further investigation into the case, only around CNY4K was confirmed as the infringer's illegal profits due to the strict standard of proof in criminal procedure. As CNY4K is lower than the criminal threshold, the procuratorate decided to stop the criminal prosecution.

The right owner then initiated a civil lawsuit to seek compensation. In the complaint, we argued that the damages to be awarded in civil procedure should not be based on the CNY4K determined in the criminal procedure as their illegal profits are very likely to be far more than CNY4K. We elaborated on the different standards of proof in criminal and civil procedures. In criminal procedure, as the case ruling is about whether to deprive the criminal suspect's life or freedom, the police and the procuratorate is very prudent and they adopt "beyond all reasonable doubt" as the standard of proof when taking in some evidence as the basis to charge the suspect. In contrast, in civil procedure, as the outcome of the case has nothing to do with deprivation of life or freedom, but only relates to monetary damages, the standard of proof adopted is "high probability" when taking in evidence.

Our argument was adopted by the court in the civil procedure. In the ruling, the court stated "although the procuratorate finally determined that the amount of illegal profit from the defendant's infringement, including infringement of other trademarks, was only more than CNY4K, due to the extremely strict standard of proof in criminal cases, the amount of civil compensation should not be determined only on the basis of the amount determined in criminal cases..., the court granted a damage of CNY50,000 to the right owner and CNY55,470 as the reasonable legal expenses".

To sum up, some evidence which is precluded from criminal procedure is likely to be acceptable in civil procedure. This case is a typical example to demonstrate the different standards of proof in criminal and civil procedures.

Mike Jordan Stopped Infringing Trade Name Temporarily

By [Ms. Shumin He](#)

On December 30, 2020, Shanghai No. 2 Intermediate People's Court made a first-instance judgment on the dispute over Michael Jeffrey Jordan's name right, unfavorable to the defendants Qiaodan Sports Co., Ltd. and Shanghai Bairen Trading Co., Ltd. This case has lasted for eight years and the judgment has attracted much attention and aroused hot discussion in the Chinese IP circle.

● Case brief

Qiaodan Sports Co., Ltd. (hereinafter referred to as "Qiaodan") uses "乔丹 (the Chinese equivalent of Jordan)" as its trademarks and trade name without Michael Jeffrey Jordan's authorization. Shanghai Bairen Trading Co., Ltd. sold products produced by Qiaodan, labeled with "乔丹 (the Chinese equivalent of JORDAN)".

Michael Jeffrey Jordan deems that Qiaodan's activities infringe his legitimate right to the personal name Michael Jeffrey Jordan, as the two characters have formed a stable correspondence with himself.

● Other facts

Qiaodan owns some trademarks relating to "乔丹 (the Chinese equivalent of JORDAN)", which have been registered for more than five years.

● Key points of the Court judgment

1. Qiaodan has infringed Michael Jeffrey Jordan's personal name right;
2. Qiaodan should stop using the two characters as its trade name;
3. Qiaodan should stop using trademarks involving the two characters. However, for trademarks involving the two characters which have been registered for more than five years, Qiaodan may continue its use, provided that Qiaodan adopts certain reasonable measures to avoid potential confusion or prevent the public's misleading association between Qiaodan and Michael Jeffrey Jordan.

● Lessons from the case

Although Michael Jeffrey Jordan won the case in the first instance, the process is quite time- and resource-consuming. His attorneys claimed the legal expenses of USD150K+. Moreover, Qiaodan can conditionally continue using the two characters so long as it adopts certain reasonable measures to avoid confusion. We should learn at least the following important lessons:

1. Register trademarks earlier:

As China adopts first-to-file principle, it is advisable to file trademarks as early as possible.

2. Watch the trademark register and take actions earlier

As the China National IP Administration (CNIPA) cannot absolutely filter all squatted trademarks, it is highly advisable for the legitimate owners and users to watch the Chinese trademark register and duly file oppositions, invalidations, and/or even lawsuits against the squatted trademarks as early as possible.

In this case, if Michael Jeffrey Jordan had taken actions early and successfully prevented or invalidated Qiaodan's registrations, Qiaodan should not have used the two characters as its trademark or trade name for so many years.

As this is just the first-instance judgment, the defendants remain entitled to appeal or even request for re-examination. Let's wait and see the new developments.