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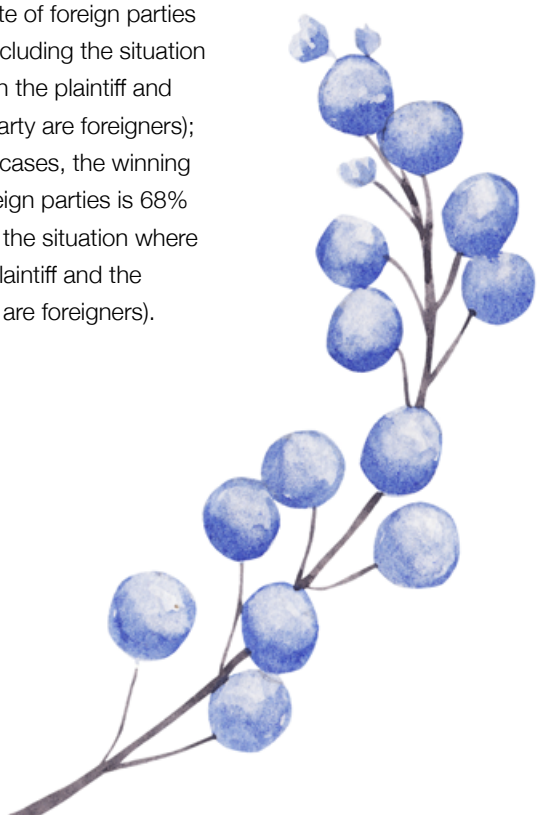
Foreign parties maintain a great success rate at Beijing IP Court

On October 16, 2019, the Beijing Intellectual Property Court released a Summary of their adjudicated IP cases involving foreigners. The Summary reveals that foreign entities and individuals play a growing and substantial role among those cases adjudicated during the period from the establishment of the court in November 2014 to the first half of 2019.

Since its establishment, the Beijing Intellectual Property Court has accepted 13,736 IP cases involving foreigners (excluding Hong Kong, Macao and Taiwan), accounting for 21.1% of the total number of cases. During the same period, a total of 10,755 foreigner-related cases were concluded, accounting for 20.7% of the total. The number of foreigner-related cases increased year by year, with an average annual growth of about 8.4% in received cases and an average annual growth of about 40.4% in concluded cases.

In terms of geographical distribution of the concluded cases, 90 countries and regions (excluding Hong Kong, Macao and Taiwan) are involved, among which the cases involving US entities or individuals take the largest percentage, accounting for 33.2%; the cases involving German entities or individuals account for 10.3%, the cases involving Japanese entities or individuals account for 8.8%; those involving European Union countries account for 39.3%.

In the administrative cases involving foreigners, the winning rate of foreign parties is 49% (excluding the situation where both the plaintiff and the third party are foreigners); in the civil cases, the winning rate of foreign parties is 68% (excluding the situation where both the plaintiff and the defendant are foreigners).



CNIPA issued regulations on collective patent examination

The China National Intellectual Property Administration (CNIPA) recently issued the Administrative Regulations of Collective Patent Examination (pilot scheme), which aims at improving the examination efficiency and quality of important patent applications. “Collective Patent Examination” means the collective processing of a group of patent applications focusing on the same key technology by the same applicant(s).

We would like to introduce herein the main aspects and features of the new Regulations as follows for your easy reference. You may also refer to the news in Chinese here: *http://www.sipo.gov.cn/gztz/1141943.htm.*

I. Eligibility of patent applications for Collective Patent Examination

Patent applications requesting collective examination shall meet all of the following preconditions:

1. It involves a group of Chinese patent applications for invention surrounding one “key technology”. Nevertheless, invention applications under the dual filing strategy where a utility model application and an invention application are filed on the same day for the same subject matter is excluded from the scope of collective examination.

2.The group of invention patent applications to be examined have all entered into substantive examination procedure, and the date of entering into substantive examination procedure of these patent applications shall not exceed one-year time span; Also, the number of these applications in the same group shall be no less than 50;

3. These applications involve key competitive industries of the country or are of great significance to the interests of the country or the public;

4. No other preferential examination policies such as prioritized examination or PPH have been enjoyed.

II. Documents needed for the request

The applicant requesting the collective examination shall submit



to the Administration Department of Patent Examination under CNIPA (hereinafter referred to as the "Examination Department") with the following supporting documents:

1. the written request for collective examination with the signature or seal of all patent applicants;

2. the list of the invention patent applications to be examined (in both paper version and electronic version);

3. the elaboration of the reasons why a collective examination is filed, along with the explanation of the relationship of each patent application with the said "key technology";

The above required documents for collective examination shall be submitted to the Examination Department through mailing in paper form, not through electronic filing route, wherein electronic list of the patent applications should be sent along with the paper documents in form of CD-ROM media.

III. Applicant's role in coordination after the approval of collective examination

Once collective examination is approved, the patent applicant(s) shall actively cooperate with the patent office, including providing relevant technical materials when needed, arranging technical briefing meetings with examiners, timely providing feedback on any problems during collective examination and so on.

If an office action is issued during the examination procedure, the time for answering the office action is the same as that a normal patent application. The Examination Department normally starts the examination work of an application after 3 months from its entry into the substantive examination stage, but there is no examination time limit for the Examination Department to end up the prosecution period.

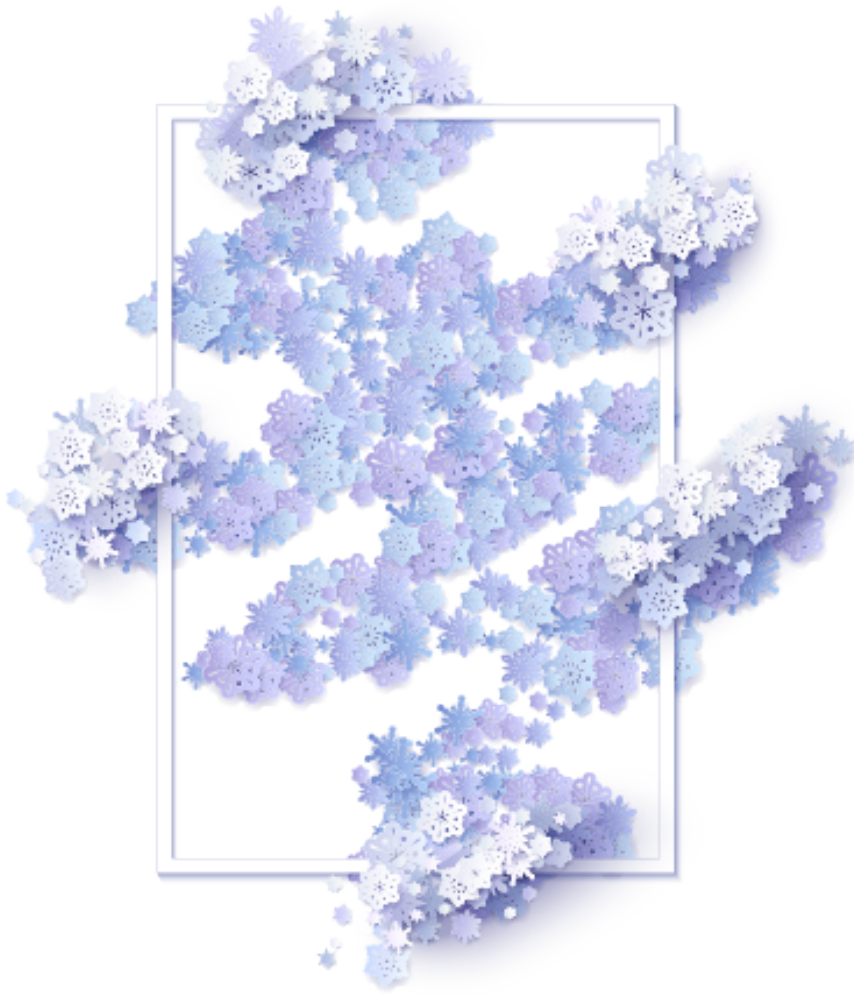
There is no official fee for submitting the request for collective examination.

IV. Circumstances under which collective examination shall be terminated

During the examination procedure, if one of the following situations arises, the CNIPA can terminate the collective examination:

-The applicant submits false materials in violation of the principle of good faith;
-The applicant does not cooperate with the examiners when needed;
-The applicant expressively requests to terminate the collective examination.

Guidelines for Patent Examination amended: divisional, GUI, subject matter, delayed examination and so on



The China National Intellectual Property Administration (CNIPA) announced the latest amendments to the Guidelines for Patent Examination which became effective from on November 1, 2019. The amendments respond to the request of innovative businesses, and aim at improving the quality and efficiency of patent examination. Following are the highlights of the amendments.

Divisional application

The amendments clarify that, only when the examiner raises a unity objection against a divisional application, may the applicant file a further divisional application on the basis of the divisional application, if the earlier divisional application is still pending. Otherwise, a divisional application including a further divisional application can only be filed on the basis of the first-ever application.



The amendments also clarify that the applicant of a further divisional application shall be the same as that of its directly connected divisional application, and that the inventor(s) of the further divisional application shall be from the inventor(s) of its directly connected divisional application.

GUI design registration

It further standardizes the requirements for the title and brief description related to the registration of Graphic User Interface (GUI). The title of the GUI design shall indicate the main use of the GUI and the product it applies to. If the GUI is the only innovative point of the design, at least one orthographic projection view of the display panel including the GUI shall be submitted.

If the GUI is animated GUI, at least one orthographic projection view of the side of the product showing one state of the GUI shall be submitted as the front view. For other states, key frames which can uniquely determine the changing sequence of the animation patterns shall be submitted as views of varied states.

The amendments also clarify that game interface as well as patterns displayed upon power on, which have nothing to do with human-machine interaction, are not protected by design patent.

Eligibility of human embryonic stem cells

The amendments clarify that human embryonic stem cells are not human body at all stages of formation and development. The invention which uses stem cells separated from human embryos (with less than 14 days of in vivo development) cannot be rejected on the grounds of "violating social morality".

Delayed examination

An invention patent applicant may file a request for delayed examination at the time of requesting substantive examination; a design patent applicant may file a request for delayed examination at the time of filing the design patent application. The examination may be delayed for one year, two years or three years from the effective date of the request.

Besides the above points and among others, the amendments refine the workflow for patent search, clarify the method of combining multiple prior-art documents in invalidation procedure, show the intention of holding meetings or telephone conversation with attorneys/applicants.

More details are available at CNIPA's official website: *http://www.cnipa.gov.cn/zfgg/1142481.htm.*

More inventions survived the invalidation in China

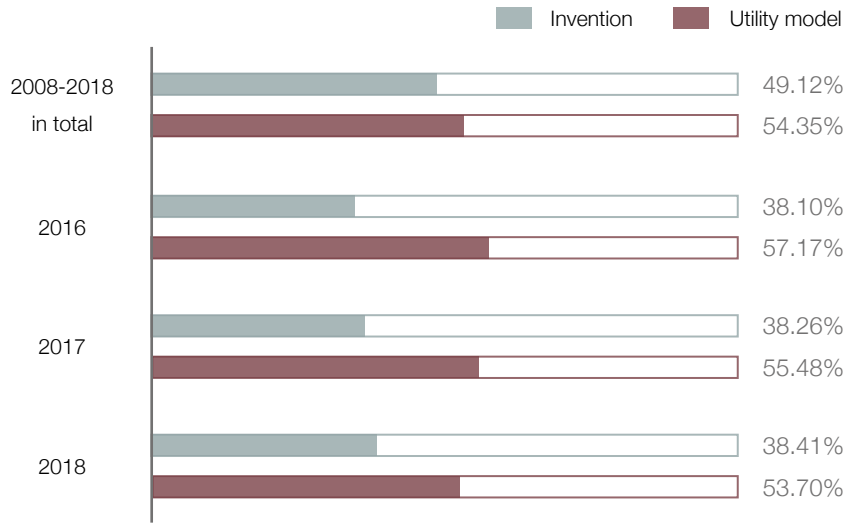
By Yue Yuan

In China, while patent infringement disputes are usually dealt by the People's Court, the determination of validity of a patent is within the exclusive jurisdiction of the China National Intellectual Property Administration (CNIPA). CNIPA includes the Patent Office and Trademark Office. The Reexamination and Invalidation Department of the Patent Office of CNIPA is responsible for handling patent invalidation procedures.

I. Trends of invalidation rates

Statistics from *www.incopat.com* were made on the invalidation decisions of invention and utility model patents over the past 11 years (2008-2018) to find out the trend of winning rates of petitioners in the invalidation procedures. See table 1.

Table 1. Statistics for Invalidation decisions



It can be seen from table 1 that for invention, invalidation decisions, in which all claims are invalidated in the years 2016-2018, obviously reduced compared to the average among years 2008-2018, while for utility model, the statistics of years 2016-2018 show only a small fluctuation around the average. So, it can be concluded that inventions indeed survive the invalidation procedure more easily in recent years than ever before, while utility models do not.

II. Reason analysis

Although there are no official



explanations on such changes, it can be inferred that the essential merit of patents is more and more emphasized nowadays.

Specifically, it is way easier for petitioners who want to invalidate a utility model than to invalidate an invention to find reference documents to oppose novelty or inventiveness, because utility models did not undergo substantive examinations before being granted. And, as you may know, in Chinese invalidation procedure, besides novelty and inventiveness, formal issues such as clarity, support by description, lack of essential features and non-statutory subject matter can also be served as reasons for invalidating a patent. So, in the past, many inventions were invalidated not because they lack novelty or inventiveness, but because they lack clarity, lack support by the description, go beyond the initial disclosure scope, and etc.

However, in recent years, as the Chinese government has increasingly advocated the protection of innovation, less and less formal issues appear in the invalidation decisions. Novelty and inventiveness are becoming the only key points to attract the Panel's attention. The inventions that only have formal defects tend to survive the invalidation procedure. That's the main reason why the invalidation rate for inventions drops in recent years while that for utility models remain substantially unchanged.

Besides, according to our experiences from years of practice, the current criteria of inventiveness also have some differences from

the past, so that more inventions are maintained. This may be another reason why the invalidation rate drops for inventions.

As a criterion to evaluate the inventiveness of patents, the three-step test is traditional and common. The three-steps can be summarized as: step 1 to discover a closest prior art as a start, step 2 to determine characterizing features and their solved problem(s), and step 3 to decide whether they are obvious.

However, since the three-step test has its inherent shortcoming, which we will not discuss here, some other criteria have been explored and gradually widely used in recent years. Some prevailed ones include:

1. The prior art teaches away from the present invention;
2. The overall technical conception is different from the present invention; and
3. There is no motivation for those skilled in the art to move from the closest prior art to the present invention.

Other criteria include:

4. The invention solves a long-felt but unsolved technical problem;
5. The invention overcomes a prejudice;
6. The invention produces an unexpected technical effect; and
7. The invention achieves commercial success.

When any one of items 1-7 is fulfilled, the inventiveness can be established in spite of the three-step test. So, some inventions which could not pass the three-step test now are deemed as possessing inventiveness. This is another reason why more inventions survive the invalidation procedure.

III. What shall we do in the invalidation procedure

Since we have made clear the official policy, next, we will discuss if we are patentees, what shall we do when we face petitioner's attack in an invalidation procedure.

First, we had better avoid unnecessary amendments and observations when responding to formal issues raised by the petitioner. Often, the petitioners raise the formal issues actually in hope of obtaining our restrictive interpretation on claims scope, so that they can have the upper hand in the related infringement litigation. Since we know our patent is less likely invalidated by the non-fatal formal issues now, we may just make some brief response or even skip the formal issues in the written observations.

Second, if we evaluate that our patent cannot pass the three-step test, we may emphasize the other criteria.

For example, if we think the overall technical conception is different between the prior art and our patent, we may argue that although each of our characterizing features have been disclosed in different prior art documents, these characterizing features should not be separately considered, since they are correlative and inseparable to solve one technical problem in our patent and none of the prior art documents aims to solve the same technical problem. Once these characterizing features are successfully considered as a whole by the Panel, it will be hard for the petitioner to find one prior art document to disclose the whole technical solution, and thus inventiveness can be established.

For another example, if we think there is no motivation for those skilled in the art to move from the closest prior art to the present invention, we may point out that the closest prior art provided by the petitioner is in a different technical field or completely silent about the problem to be solved by our patent. In this case, the other prior art document is not necessarily to be found by those skilled in the art

before they read our patent, because there is no motivation to search for the other prior art document to move toward our patent.

For still another example, in a real case, we alleged that the patent achieved commercial success. The petitioner showed the evidence disclosing product A as well as the evidence showing the only different part between product A and product B, which is protected by our patent, was common means in the art. Feeling hard to pass the three-step test, we provided testimony of a CEO of a company saying that his company used to purchase product A several years ago, but now only purchases product B with even higher price from the same supplier, just because product B has better performance, and that as far as he knows, companies in this field all turned to product B from product A. In this case, we managed to prove that our patent achieved commercial success and this success was directly brought by the technical advantage of our patent instead of other factors such as selling techniques or advertising.

Third, we may provide evidence actively, although the burden of proof is on the petitioner. For example, to argue that the characterizing feature is not common means in the art, we may submit text books or design manuals to prove “anti-common knowledge”.

In a past real case, we once faced the petitioner’s assertion that the gear coupling is common means in the art. Then we provided some mechanical design manuals to prove that although gear coupling was known in the art, it was not suitable for high speed scenario which is exactly our patent is used for. Our evidence played an important role in that case.

In summary, it is indeed easier for patentees to survive the invalidation procedure now, because formal defects in the drafting are no longer fatal, and criteria for evaluating the true merit of a patent is becoming diversification in China. If we realize this situation and fully understand the reason, we will be able to advisably cater to this trend to maintain our patent right.



Patent claims: a means to an end?

By Xiaojun Guo

The Supreme Court of China issued the Interpretation on Several Issues Concerning the Application of Law in the Trial of Disputes over Infringement of Patent Rights in 2009.

Article 4 reads: "Where a claim presents a technical feature expressed in terms of function or effect, the People's Court shall determine the contents of such technical feature on the basis of the specific embodiment(s) of the function or effect as described in the description and the appended drawings and its or their equivalent embodiment(s)."

In short, a means-plus-function feature recited in a claim is essentially defined by the indispensable features in the specification for performing the function or effect and the equivalent features.

In spite of the provision, the courts in China have applied somewhat different criteria as to what constitutes a means-plus-function feature, as well as how to define its protection scope.

In response, article 8(1) of the second Interpretation on Several Issues Concerning the Application of Law in the Trial of Disputes over Infringement of Patent Rights, which came into effect in 2016, provides that: "A means-plus-function feature is a technical feature defining the structure, composition, step, condition or their relations, etc, by its function or effect in the invention-creation, unless a person skilled in the art can directly and explicitly determine the specific embodiment(s) for performing such function or effect by reading purely the claims."

Case study

In a retrial case, Zui Gao Fa Min Shen No. 1804 (2017), about infringement of a utility model patent made by the Supreme Court in December 2018, one point at issue was whether the term "supporting rail" of the "sorting device of vegetables and fruits" defines a means-plus-function feature.

The Supreme Court said: "If a technical feature defines simultaneously the corresponding structural limitation besides the function or effect, and a person skilled in the art can directly and explicitly determine, by reading



purely the claims, the specific embodiment(s) of the structural limitation which can perform the function or effect, such a technical feature of combining the 'structure' and the 'function or effect' doesn't belong to the 'means-plus-function feature' as defined in the previous judicial interpretations."

The court found that although the "supporting rail" is not a common term in the art, a person skilled in the art, upon reading the claims, can directly and explicitly determine that the "rail" is a structural limitation and the "supporting" is a function to be performed by the "rail", and this person skilled in the art is familiar with any regular embodiments of the "rail", which itself is usually sufficient to perform the function of "supporting".

Since a person skilled in the art can directly and explicitly determine any "rail" of appropriate structure for performing the function of "supporting rail" in the context of the claims, the court held that the term "supporting rail" was not a means-plus-function feature, and was therefore not restricted to the "triangular supporting rail" in the specification and covered the trapezoidal supporting rail of the alleged infringing product.

Some courts had previously read article 8(1) of the Judicial Interpretation 2016 as meaning that if a technical feature contains both the function or effect and the structural limitation for performing the function or effect, it can be presumed that the technical feature is not a means-plus-function feature.

The Supreme Court, however, seemingly rejected such a presumption in the above case by maintaining the requirement of "a person skilled in the art can directly and explicitly determine the specific embodiment(s) for performing the function or effect by reading purely the claims".

Article 8(2) of the Judicial Interpretation 2016 reads: "Where, as compared to the indispensable technical features recorded in the description and its appended drawings for performing the function or effect, the corresponding technical features of the accused infringing technical solution perform the same function in substantially the same way to achieve the same result, and can be contemplated without creative work by a person skilled in the art at the time of the accused infringement, the People's Court shall determine that the corresponding technical features are identical with or



equivalent to the means-plus-function feature."

Article 17 of the Several Provisions of the Supreme People's Court on Issues Relating to the Application of Law to Adjudication of Cases of Patent Disputes of 2001 has already provided that the general test for the doctrine of equivalents (DOE) is "substantial triple-identity" plus "no creative work", ie, "an equivalent feature refers to the feature which performs substantially the same function in substantially the same way to achieve substantially the same result as the feature recited in the claim, and which can be contemplated by a person skilled in the art without creative work".

Clearly, a means-plus-function feature defines a much narrower protection scope than that conferred by a normal structural or process feature.

In the above case, while holding that the worm transmission system of the alleged infringing product is equivalent to the sprocket transmission system in claim 1, the court articulated that the application of the DOE to a means-plus-function feature under article 8 of the Judicial Interpretation 2016 differs from that to a normal technical feature under article 17 of the Judicial Interpretation 2001 in two aspects.

First, the basis of comparison with the alleged infringing product is the "indispensable technical feature(s)" recorded in the description and its appended drawings for performing the function or effect of the means-plus-function feature instead of the technical feature itself recited in the claim. Second, the compared features shall perform "the same function" to achieve "the same result".

Generally speaking, China discourages the use of the means-plus-function feature in claims, which means a much narrower and more literal reading of the patent claims. Notwithstanding the stricter "same function" and "same result" requirements, the Judicial Interpretation 2016 provides—and the above case shows—that the "substantially the same way" prong of the triple-identity test for a means-plus-function is assessed as compared to the indispensable technical features in the description and its appended drawings for performing the function or effect recited in the claim.

This seemingly further narrows the application of the DOE to a means-plus-function feature since the "equivalent embodiment(s)" is removed from the Judicial Interpretation 2009 definition.

Supreme Court clarifies conditions to bear joint liability in patent infringement cases

By Xiaojun Guo

Sometimes, the patent owner or a person in privity may want to sue not only the company infringing on his patent right, but also the actual controlling person of the company, in order to stifle repeated infringement initiated by the same person and to get effective compensation from the infringers. So, it becomes critical in this case to bring the actual controlling person behind the scene into the suit. A very recent retrial case made by the Supreme Court ([2018] Zui Gao Fa Min Zai No. 199) shows the very typical scenarios in relation to this.

In this case, the retrial petitioner is SMC corporation, and the respondents are Yueqing Zhongqi Pneumatic Technology Co., Ltd. ("Zhongqi") and Ni Tiancai who is the general manager of Zhongqi with a share of 60%. One point at issue is whether Ni Tiancai should bear joint and several liability for damages with Zhongqi. SMC claimed damages based on three grounds: (1) Ni Tiancai and Zhongqi jointly exploited the patent, which constitutes joint infringement; (2) Ni Tiancai assisted Zhongqi in the infringement, which constitutes contributory infringement; (3) Ni Tiancai abused the independent corporate status and the limited liability of a shareholder.

Joint infringement

SMC alleged that Ni Tiancai and

Zhongqi took the common intention of joint infringement subjectively, and worked together to carry out the infringement objectively, and therefore should bear joint and several liability under Article 8 of the Tort Liability Law, i.e. "If two or more persons jointly commit a tort and cause damages to others, they shall bear joint and several liability."

The Supreme Court articulated that, according to the above provision, to constitute joint infringement, the following conditions shall be met: there are two or more tortfeasors; each tortfeasor has a common subjective meaning; the tortfeasors objectively use, work with or support each other; and the damages caused by the tortfeasor's behavior are within the scope of their common meaning.

The Court found,

Firstly, Ni Tiancai and Zhongqi are with the common will. Ni Tiancai is the legal representative, controlling shareholder, executive director and manager of Zhongqi and the remaining sole shareholder has affinity with him. He has strong control over Zhongqi. His will and the will of Zhongqi are of obvious commonality.

Secondly, Ni Tiancai and Zhongqi ought to have been aware that their accused infringing products might have infringed on SMC's patent right. Zhongqi definitely mentioned, in its network propaganda, that it wholesaled SMC solenoid valves and introduced in detail the working principle, usage, structure, principle and method of selection in relation to SMC solenoid valves, and the accused infringing products were marked with "SMC and device" trademark. As the legal representative of Zhongqi, Ni Tiancai obviously knew the products and technology of SMC, and was aware that the accused infringing products might fall into the protection scope of SMC's patent. In this case, Ni Tiancai and Zhongqi still carried out the behavior of manufacturing, selling and offering to sell the accused infringing products, whom can be assumed having obvious intention of joint infringement.

Finally, Ni Tiancai and Zhongqi used, worked with or supported each other objectively. Ni Tiancai collected for Zhongqi payment for products through his personal bank account, which was recognized by Zhongqi. They worked together to complete the sale of the accused infringing products and receive the payment. It can be seen that Ni Tiancai took advantage of his control over Zhongqi and jointly implemented the behavior of manufacturing, selling and offering to sell the accused infringing products with Zhongqi.

The Supreme Court therefore supported SMC's claim that Ni Tiancai and Zhongqi worked together to carry out the infringement and therefore should bear joint and several liability.

Contributory infringement

SMC alleged that Ni Tiancai provided personal bank account for Zhongqi to collect payment for the alleged infringing products, which constitutes contributory infringement under Article 9 (1) of the Tort Liability Law, i.e. "One who abets or assists another person in committing a tort shall be liable jointly and severally with the tortfeasor."

With regard to the application of the contributory infringement to patent infringement, Article 21 (1) of the Interpretation on Several Issues Concerning the Application of Law

in the Trial of Patent infringement Cases (II) reads, "Where a party, knowing that certain products are the materials, equipments, parts and components or intermediate items, etc. specially for the exploitation of a patent, without consent of the patent owner and for business purposes, provides such products to another party committing patent infringement, the people's court shall side with the right owner claiming that the party's provision of such products is contributory infringement under Article 9 of the Tort Liability Law."

The Supreme Court articulated that, according to the above Judicial Interpretation, so called "contributory infringement" in the context of the Patent Law does not generally refer to any form of contributory behavior, but especially refers to the behavior of, without consent of the patent owner and for business purposes, providing to another person products that are specially for exploitation of the patent to commit patent infringement. In this case, Ni Tiancai offered a personal bank account to collect for Zhongqi the payment for products. This behavior is different from providing products specially for patent infringement, and does not constitute contributory infringement in the context of the Patent Law.

Abuse of the independent corporate status and the limited liability of a shareholder

SMC also alleged that Ni Tiancai abused the independent corporate status of Zhongqi and the limited liability of a shareholder, seriously harmed the interests of creditors of the company, and should bear joint and several liability with Zhongqi under Article 20 of the Corporate Law.

Article 20 of the Corporate Law provides that a shareholder of a company shall not abuse his rights to harm the interests of the company or other shareholders, nor shall he abuse the independent corporate status of the company and the limited liability of a shareholder to harm the interests of creditors of the company; if a shareholder of a company abuses the independent corporate status and the limited liability of a shareholder to escape debts or seriously harm the interests of the creditors of the company, he shall bear joint and several liabilities for the debts of the company.

The Supreme Court articulated that, according to the above provisions, to constitute abuse of the independent corporate status and the limited liability of a shareholder, the following conditions shall be met: the tortfeasor abuses the independent corporate status and the limited liability of a shareholder, including excessive control of the company, confusing corporate property and personal property and skeletonizing the compony; abuse of the tortfeasor harms seriously the interests of creditors of the company.

In this case, the Court found, although Ni Tiancai collected for Zhongqi the payment for products through his personal bank account and there was no evidence that he had returned the payment to Zhongqi and therefore harmed the company's interests directly, SMC did not submit evidence to show that all these facts resulted in Zhongqi's failure to perform any obligation, thus leading to failure to realize SMC's rights. Thus, the Court held that Ni Tiancai didn't abuse the independent corporate status of Zhongqi and the limited liability of a shareholder and didn't seriously harm the interests of creditors of the company, and shall not bear joint and several liability with Zhongqi.

In this case, although the Court rejected the the retrial petitioner SMC's claims over contributory infringement as well as abuse of the independent corporate status and the limited liability of a shareholder, it supported the claim over the general provisions in relation to joint infringement under the Tort Liability Law in a quite flexible approach. This is advantageous for excise of a patent right to stop repeated infringement by the same individual hidden under the veil of a company.



Turning the tide: how China is fighting back against malicious filings

By Gang Hu



Amendments to China's Trademark Law are due to take effect on 1 November 2019. The changes should aid the authorities in their bid to crack down on malicious filings and trademark hoarding.

On 23 April 2019 the 10th Meeting of the Standing Committee of the National People's Congress (NPC) passed a proposal to amend China's Trademark Law. The amendments cover six articles and are due to take effect on 1 November 2019.

As China's first law in the field of intellectual property, the Trademark Law is also the most frequently amended IP rights law. Indeed, since its promulgation in 1982, the Trademark Law has been amended four times – in 1993, 2001, 2013 and 2019. The features of the law reflect the need for greater trademark protection for China's economic development on the one hand, and higher requirements as a result of drastic social changes, various reforms and the opening-up of China's trademark protection system on the other hand.

The 2013 amendments increased benefits for Chinese and foreign trademark applicants (e.g. the optimisation of Chinese trademark registration procedures, a shorter registration cycle and lower registration costs). However, various issues have since garnered widespread attention, including the prevalence of malicious trademark applications and the large-scale hoarding of trademarks for illegal profits.

The latest amendments to the Trademark Law aim to solve such problems. According to the NPC Standing Committee, the latest amendments highlight:

- the use of registered trademarks to stop malicious applications; and
- the increase of compensation to stop malicious trademark infringement.

Interpretation

Emphasising use of registered trademarks

Article 4 of the revised Trademark Law adds the sentence: "Malicious trademark applications which are not for the purpose of use shall be rejected." This grants examiners the ex officio right to reject malicious trademark applications at the preliminary examination stage. Paragraph 3, Article 19 adds that the trademark agency will not accept the entrustment of malicious trademark applications where the marks are not being registered for use. Articles 33 and 44 stipulate that the content added to Article 4 is one of the specific reasons for raising oppositions before the China Trademark Office (CTMO) and requesting invalidation before the Trademark Review and Adjudication Board (TRAB).

These four articles of the revised Trademark Law constitute a comprehensive system to crack down on the malicious preempting and hoarding of trademarks. The system operates through the trademark agency, the CTMO and the TRAB, to fight against the proliferation of malicious trademark applications. This development will be welcomed by the trademark community both in China and abroad.

Strengthening trademark protection

Article 63 of the Trademark Law stipulates the punishment for trademark infringement. Amendments to this article include:

- the intensification of punishments for malicious trademark infringement; and
- clarification of the methods used to deal with counterfeit products and the materials and tools used to manufacture such products.

The amendments increase the compensation for malicious trademark infringement. In addition, paragraphs 4 and 5 clarify the methods used to deal with counterfeit products and the materials and tools used to manufacture such products – namely, by destroying them and thus prohibiting them from entering circulation. In this way, the punishment for malicious trademark infringement is increased and efforts to combat malicious trademark infringement are enhanced.

Article 68 of the Trademark Law regulates trademark agencies. Item 3, paragraph 1 of the article adds that trademark agencies will be punished for violating Article 4, which indicates that trademark agencies have the responsibility to refuse the entrustment of malicious trademark applications. In addition, paragraph 4 has been added to Article 68, which includes tougher administrative and judicial measures (eg, warnings and fines) that can be used to punish trademark agencies for accepting malicious trademark applications.

Practical problems

How to determine the nature of defensive applications

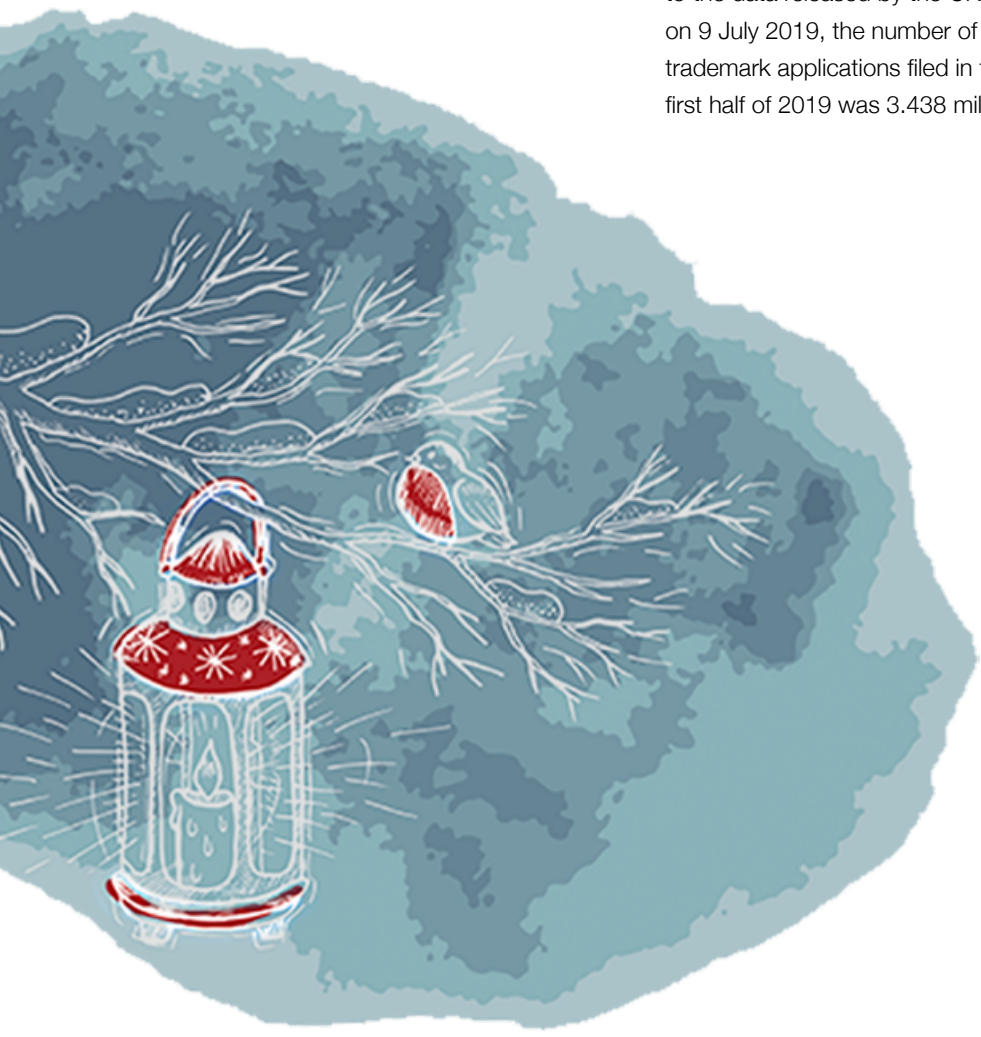
According to the NPC's report on the draft amendments, the following provision was initially proposed: "Trademark applications which are not for the purpose of use shall be rejected." However, during discussions, some members of the Standing Committee suggested that such applications should not be blanket rejected, as rights holders



that have registered and actually used a trademark may apply for the same trademark for other goods or services for preventive purposes. As such, the committee members decided to include the following amendment: “Malicious trademark applications which are not for the purpose of use shall be rejected.”

As mentioned earlier, the ability to make defensive trademark applications was fully considered in the process of amending Article 4 of the Trademark Law. During a trademark examination, examiners must check not only the objective necessity of the application, but also the intentions of the applicant. In principle, trademarks applied for for defensive purposes by Chinese and foreign applicants will not be considered malicious and therefore will not violate Article 4 of the Trademark Law.

Although the amended law is not due to take effect until 1 November 2019, the China National IP Administration (CNIPA) adopted measures to crack down on malicious trademark hoarding and applications in the first half of 2019, and this has achieved some positive results. According to the data released by the CNIPA on 9 July 2019, the number of trademark applications filed in the first half of 2019 was 3.438 million – down 4.1% from the same period last year, showing a rare period of decline. However, trademark applications made in China by foreign applicants rose to 127,000, which is an increase of 15.4% from the same period last year. Most applications were made by US, Japanese and UK applicants, which increased their filings by 13.6%, 31.4% and 56.9%, respectively. This reflects China’s successful efforts to change the focus of its IP rights system from high-quantity to high-quality rights. The data also demonstrates the country’s desire for foreign enterprises to invest and take advantage of the development opportunities in China.



Therefore, Chinese and foreign rights holders need not worry about trademarks applied for for defensive purposes following the amendments to Article 4 of the Trademark Law. Since China uses the first-to-file principle, rights holders should actively file defensive trademark applications to prevent malicious preemption by third parties.

How to claim infringement compensation effectively

Article 63 of the revised Trademark Law is also of significance for Chinese and foreign parties when it comes to effectively safeguarding their legal rights in China.

Following the trend of improving IP rights protection, paragraph 1, Article 63 increases the maximum

amount of compensation for malicious trademark infringement from three to five times the amount of actual losses. Paragraph 3 increases the maximum amount of compensation for malicious trademark infringement from Rmb3 million (approximately €392,000) to Rmb5 million (approximately €653,000), which is a large sum even in the context of international IP enforcement. The increase of compensation is exciting news for Chinese and foreign parties. Moreover, the increase of compensation to Rmb5 million has been realised over a short period of six years (between 2013 and 2019). What is more encouraging is the increase of compensation from three to five times the amount of actual losses. This increase will act as a greater deterrent to infringers and grants rights holders more adequate and credible protection. In practice, the application of punitive compensation relies heavily on the IP owner and its lawyers' capacity to provide sufficient evidence to prove the losses of the obligees, the profits of the infringer or a multiple of the licence fees. Only after the losses, profits or a multiple of licence fees is confirmed by the court can the rights holder claim punitive compensation of one to five times the amount of loss. Therefore, it is important for IP owners to choose a reliable and professional local trademark agency to handle such a case.

Paragraph 4 has been added to Article 63 and extends the punishment for infringement by stipulating that "in handling trademark disputes, the people's court shall, at the request of the obligees, order the destruction of counterfeit commodities, except under special circumstances; the materials and tools mainly used to manufacture counterfeit commodities shall be ordered to be destroyed without compensation; or in exceptional circumstances, the aforementioned materials and tools shall be prohibited from entering the commercial channels without compensation".

In previous judicial practice, the Chinese courts mostly ordered the destruction of the materials and tools 'specially' used for manufacturing counterfeit products. This practice was widely criticised by rights holders because it is difficult to prove how materials and tools have been 'specially' used to manufacture counterfeit products. Therefore, rights holders could neither claim for the destruction of the materials and tools used to manufacture counterfeit goods nor prevent the infringer or other parties from continuing to use the materials and tools in future infringement. The amended article has substituted the word 'specially' for 'mainly' and although this may appear to be a minor change, it provides legislators with more power when it comes to stopping trademark infringement and minimises the risk of further infringement. The revised clause also fully conforms with Article 46 of the Agreement on Trade-Related Aspects of Intellectual Property Rights.

How to judge trademark litigation lodged in bad faith

Paragraph 4 has been added to Article 68, which stipulates that "if a trademark litigation is lodged in bad faith, the people's court shall impose penalties according to law".

This new paragraph is intended to set a boundary between legitimate rights protection and malicious litigation, in order to achieve a balance between the protection of rights and the abuse of rights. Trademark litigation can be judged as malicious if it is intended to:

- use the registered trademark to make malicious claims;
- force other parties to purchase the registered trademark at a high price; or
- force other parties to accept a high licensing fee.

Retrial Case No 2018, 396 was listed as one of the top 10 IP rights cases in 2018 by the Supreme People's Court of China. In this case, the Supreme People's Court found the following:

- The Compass company and the Zhongwei company had more than 2,600 trademarks, which exceeded the amount for normal business use.
- The two companies always registered trademarks for assignment at a high price rather than for actual use.
- After an unsuccessful transfer

of their trademarks to Japanese company Uniqlo, the two companies lodged 42 trademark infringement litigations, all with Uniqlo or its branches as defendants.

• The bad faith of the two companies was obvious and their misuse of judicial resources for illegal trademark profits was not protected by the court.

The Compass/Zhongwei case is a typical example of trademark litigation lodged in bad faith. According to paragraph 4, Article 68 of the revised Trademark Law, not only will malicious litigation be rejected by the Chinese courts, but the parties lodging such litigation will also be punished.

According to Article 112 of the Civil Procedure Law of China: "If the parties maliciously collude with each other in an attempt to infringe upon others' legitimate rights and interests through litigation or mediation, the people's court shall reject the request and impose fines and detention in accordance with the seriousness of the violation; if the parties' act constitutes a crime, the parties shall be subject to criminal liabilities." Therefore, following the implementation of the revised Trademark Law, parties that lodge malicious trademark litigation will be fined or even detained by the court according to the seriousness of the case. This should prevent the blackmailing of trademark owners to obtain illegal profits.

Summary

China has attached unprecedented importance to the protection of trademark rights in recent years. The latest amendments to the Trademark Law aim to crack down on malicious trademark applications more effectively and punish trademark infringement more forcefully. The amendments move from a single emphasis on rights protection to a dual emphasis on both the protection of rights and the prevention of abuse.

In addition, the CNIPA is drafting a departmental regulation entitled "Several provisions on standardising application for trademark registration". The regulation will specify the latest amendments on an operational level and clarify the various types of malicious trademark application and the relevant measures available for tackling them. This regulation is expected to be published before 1 November 2019 and will act as a clear reference to the trademark examination departments of the CNIPA.

The latest amendments to the Trademark Law should prevent repeated malicious trademark filing and infringement and contribute to a more user-friendly and fairer trademark system in China. This in turn may help to promote a more optimised, convenient and fair market and business environment in the country.

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The key changes

The specific amendments to the Trademark Law are as follows (changes and additions are highlighted in bold):

Paragraph 1, Article 4

Where any natural person, legal entity or other organization, in the course of his or its production or business operations, intends to acquire the exclusive right to use a trademark for his or its goods or services, an application should be filed with the Trademark Office for registration of the goods trademark. Applications for trademark registrations in bad faith which are not intended for use shall be refused.

Paragraph 3, Article 19

Trademark agency is forbidden to represent the client where it knows or should know the trademark to be filed for registration by such client falls under the circumstances prescribed in Article 4*, Article 15 and Article 32 of this Law.*

Article 33

The prior right owner or any interested party may, within three months from the date of publication, files an opposition against an accepted and published application for registration of a trademark, if he finds that the application stands in violation of the provisions of Article 13, paragraph
~~~~~~~~~~~~~~~~~~~~~~~~~~~~

two or three, Article 15, Article 16, paragraph one, Article 30, Article 31, Article 32 of this law, or any person finds that the application stands in violation with the provisions of Article 4, Article 10, Article 11, Article 12, Article 19 paragraph four of this law. If no opposition is filed within the specified period, the trademark shall be registered, a certificate of registration shall be issued, and the registration shall be published.

Paragraph 1, Article 44

Where a registered trademark stands in violation of the provisions of Article 4, Article 10, Article 11, Article 12, Article 19 paragraph four of this Law, or the registration of a trademark has been acquired by fraud or any other unfair means, the Trademark Office shall declare the registered trademark invalid; any other organization or individual may request the Trademark Review and Adjudication Board to declare such a registered trademark invalid.

Article 63

The amount of damage for infringement of the exclusive right to use a registered trademark shall be assessed on the basis of the actual losses suffered by the right holder because of the infringement; where it is difficult to determine the actual losses, the amount may be assessed on the basis of the profits the infringer has earned because of the infringement.
Where it is difficult to determine the losses the right holder has suffered or the profits the infringer has earned, the amount may be assessed by reference to the appropriate multiple of the amount of using the registered trademark under a contractual license. Where the infringement of the exclusive right to use a registered trademark is committed in bad faith and the circumstance is serious, the amount of damage shall be more than one time but less than five times of the amount assessed by referring to the above calculation. The amount of the damage shall also include the reasonable expenses of the right holder incurred for stopping the infringing act.

When the right holder has tried his best to provide the evidence, but account books and materials relating to the infringement act are mainly under the control of the infringer, to determine the amount of damage, the people's court may order the infringer to provide the account books, materials relating to the infringement act. Where the infringer refuses to provide or provides false account books and materials, the people's court may determine the amount of damage by reference to the claim and evidences provided by the right holder.

Where it is difficult to determine the losses suffered by the right holder, the profits the infringer has earned and the fees of licensing a registered trademark, the people's court shall grant a compensation not exceeding RMB5,000,000 yuan, according to the circumstances of the act of infringement.

In examining trademark dispute cases, the people's court shall, at the request of the rights holder, order the destruction of commodities bearing counterfeit registered trademarks, except in special circumstances; order the destruction of materials and tools mainly used to manufacture commodities bearing counterfeit registered trademarks, without compensation; or, in special circumstances, order the prohibition of the aforementioned materials and tools from entering commercial channels, without compensation.

Commodities bearing counterfeit registered trademarks shall not enter commercial channels after only removing counterfeit registered trademarks.

Item 3, paragraph 1, Article 68

(3) To violate the provisions of Article 4, Article 19 paragraph three or four.
(4) To file trademark application for registration in bad faith, which shall be imposed, according to circumstances, administrative penalties such as a warning or a fine; to file trademark lawsuit in bad faith, which shall be imposed punishment according to law by the people's court.

Trademarks: in bad faith

By Lei Fu, Bin Zhang

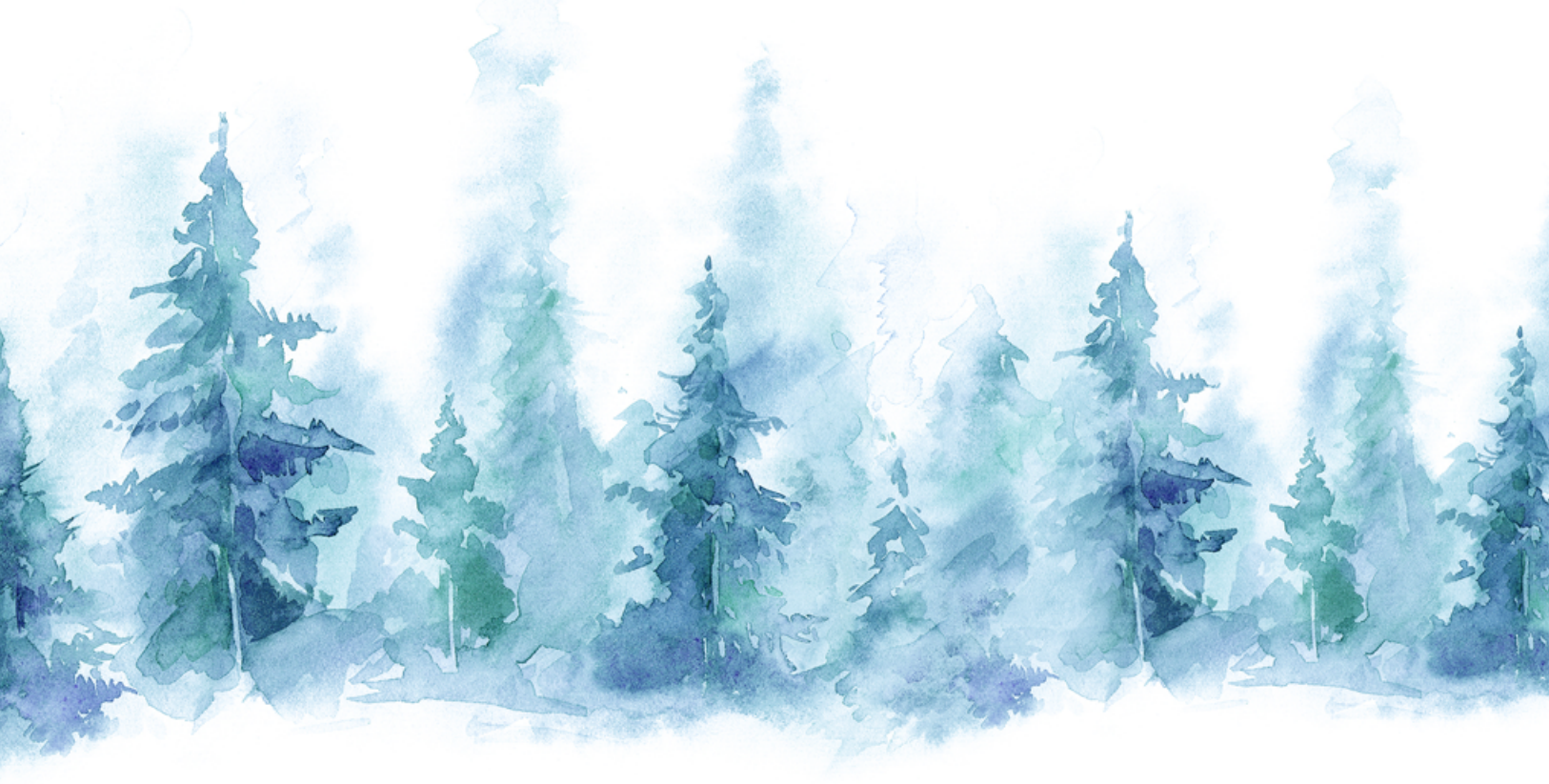
The number of trademark registrations in China is rapidly increasing. Economic developments, increasing public awareness of the importance of IP protection, the optimised trademark registration procedure and reduced registration costs, are all driving the increase.

Based on information released by the National Intellectual Property Administration, in the first half of 2019 the number of trademark registrations in China was 3.5 million, a year-on-year increase of 67.8%. By the end of June 2019, trademark registrations reached 22.7 million.

Meanwhile, we cannot ignore the problems that come with these: bad-faith registrations aiming at others' well-known trademarks and trademark squatting.

The latter is the practice of registering trademarks similar to or identical with others' trademarks—not for use but for gaining profits from the legitimate right owners.

The administrations and the courts in China are taking measures against bad-faith trademarks during the registration procedure and in administrative or civil litigations.



There are already regulations against the applications and registrations of others' well-known trademarks in the current Trademark Law.

According to article 32 of the China Trademark Law, no application for trademark registration may infringe upon the existing prior rights of others, and bad-faith registrations by illicit means of a trademark with a certain reputation already used by another party shall be prohibited.

The newest amendment of the Trademark Law passed on April 23, 2019 also focuses on bad-faith registration and further restricts trademark squatting from the following three aspects.

First, the obligation for use of trademark registrations is emphasised, as it is added in article 4 that the "applications for trademark registrations in bad faith which are not intended for use shall be rejected". This principle would be applied in the trademark registration procedure by the Trademark Office. It could also be the basis for filing opposition against trademark application or invalidation against registered trademarks.

Second, the conduct of the trademark agencies is further regulated, with article 19 stipulating that a trademark agency is forbidden to represent the client if it knows or should know that the client is filing a trademark in bad faith for a purpose other than use.

Third, the punishment on bad-faith trademark registration has been enhanced. It is regulated that administrative punishment such as warning and monetary fine shall be imposed on the applicant or the trademark agency for a bad-faith application. If a trademark litigation is confirmed to be filed in bad faith, the court shall impose punishment on the relevant party according to the law.

These amendments show that measures against bad-faith registrations can be carried out throughout trademark prosecution and protection. The liabilities caused by bad-faith registrations might be borne by the applicant, the registrant or the trademark agency.

Act first

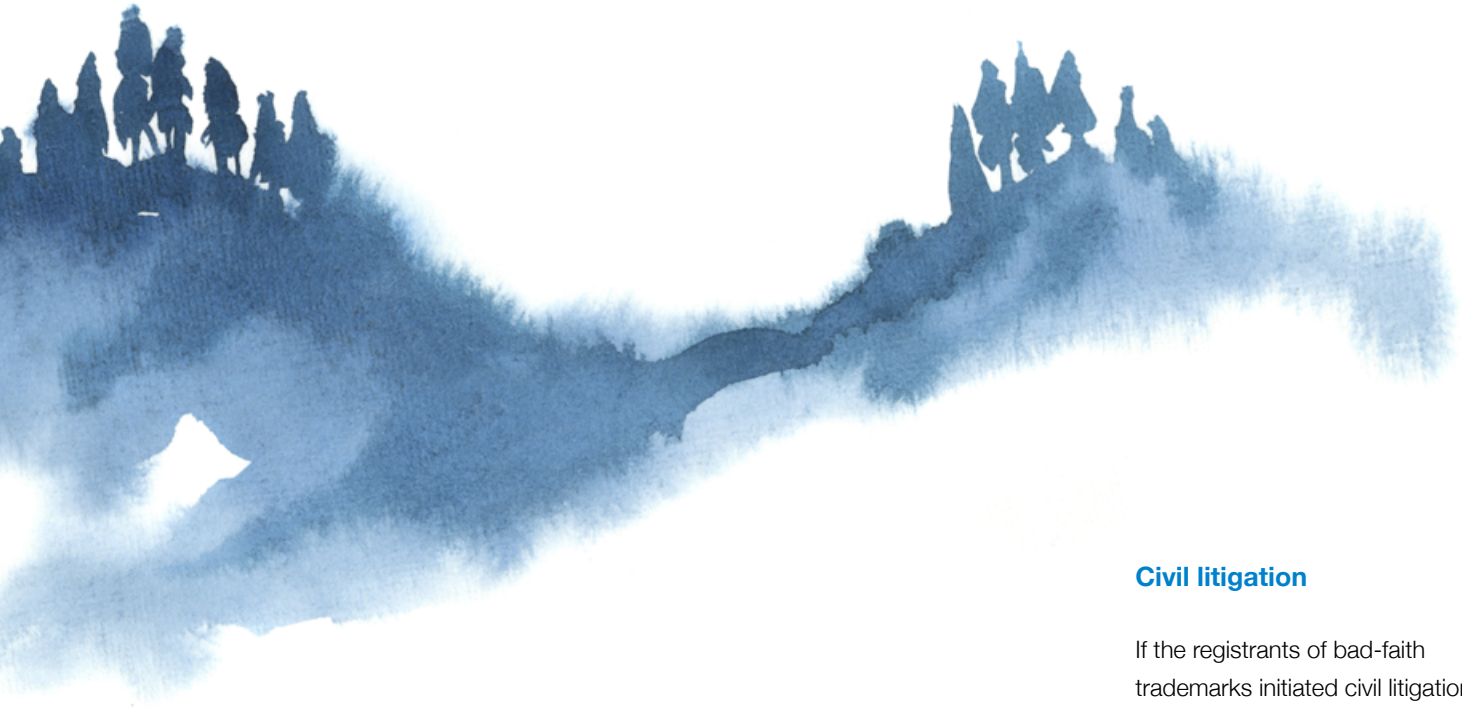
Taking into consideration the amended Trademark Law and the current legal practices in China, legitimate right owners should take active actions to combat against bad-faith trademarks. This is especially true in the situation where the counterparty's bad faith is obvious and the registrations cause damages. Possible actions include measures in the trademark prosecution procedure and initiating civil litigation under proper causes.

China's Trademark Law adheres to the principle of trademark registration. Once the trademark application is approved, it is under legal protection. The registrants of the bad-faith registrations are taking advantage of this to cause trouble to legitimate owners.

To avoid possible obstacles in future trademark use, legitimate right owners can file applications for the registration of their own trademarks before any bad-faith registrations appear.

They can also initiate opposition, invalidation or cancellation actions against the bad-faith registrations or applications, to stop the registration of the bad-faith trademark in the first place.

Some registrants of bad-faith trademarks may send cease and desist letters to the legitimate right owners or their authorised distributors. If it causes negative business influence and places the legal rights and interests of the right owners under risk, the right owners could file a civil litigation



requesting for declaration of non-infringement.

If the registrants and the legitimate right owners are in the same industry, the right owners could also consider initiating an "unfair competition" litigation against the registrants of bad-faith trademark, claiming for compensation.

Filing complaints

Some registrants of bad-faith trademarks may take further steps. They may file complaint with the local administrations for "trademark infringement" or initiate civil litigation against the legitimate right owners based on their trademark registrations.

Based on judgments issued by the Supreme Court of the PRC, the exclusive right of a registered trademark lacking legal basis cannot be used against another's proper use. It is also confirmed that the trademark infringement claims based on a trademark right obtained in bad faith and executed in bad faith could be regarded as "abuse of right", thus would not be supported.

In view of this, it is suggested that when the legitimate right owners are involved in such litigations, the right owners shall actively collect evidence to prove the bad faith of the counterparty.

Civil litigation

If the registrants of bad-faith trademarks initiated civil litigation for trademark infringement but the litigation was not supported by the court, the legitimate right owners could then initiate civil litigation under the cause "dispute over the liability for harm caused by malicious institution of an intellectual property action".

In a judgment issued by Zhejiang High People's Court, the court confirmed the trademark registrant's bad faith not only in filing the trademark application but also in filing the trademark infringement civil litigation. The court ruled that the registrant of the bad-faith trademark shall bear the legitimate right owner's direct and indirect loss caused by the "bad-faith litigation", including the attorney fee rendered in the trademark invalidation action and the corresponding administrative litigation initiated by the legitimate right owner.



Protection of well-known trademarks in China

By Hongxia Wu

It is often stated that in China a well-known trademark enjoys the broadest protection in the trademark legal system. This article will help you clearly understand how broad the protection scope of well-known trademark is in different circumstances and the related strategies.

Protection Scope of Well-known Trademark

There is no sole well-known trademark protection law in China. We must explore the actual protection scope from different Chinese laws and judicial interpretations, which may mainly include the following:

1) Chinese Trademark Law;
2) Interpretation of the Supreme People's Court on Application of Laws in the Trial of Civil Disputes Over Domain Names of Computer Network (Judicial Interpretation [2001]24);
3) Interpretation of the Supreme People's Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes Arising from Trademarks (Judicial Interpretation [2002]32);
4) Provisions of the Supreme People's Court on Issues Concerned in the Trial of Cases of Civil Disputes over the Conflict between Registered Trademark or Enterprise Name with Prior Right (Judicial Interpretation [2008]3);
5) Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Well-known Trademarks (Judicial Interpretation [2009]3);
6) Provisions of the Supreme People's Court on Several Issues concerning the Trial of Administrative Cases involving Trademark Authorization and Confirmation (Judicial Interpretation [2017]2).

This article will base on above laws and judicial interpretations and provide a creative analysis of the respective protection scope of different types of trademarks (from normal trademark to well-known trademark) while combating others' rights or acts.

1. Well-Known Trademark vs. Late Trademark Application/ Registration

Under Chinese trademark practice,

		Prior Mark App. or Reg.	Prior Used Mark of Certain Reputation	Prior Non-Registered Well-known Mark	Prior Registered Well-known mark
Late Mark Application or Registration	Same or Similar Goods/ Services	√ 【Articles 30 and 31 of Chinese Trademark Law】	√ 【Article 32 of Chinese Trademark Law】	√ 【Article 13 of Chinese Trademark Law】	√ 【Article 13 of Chinese Trademark Law】
	Dissimilar Goods/ Services	×	×	×	√ 【Article 13 of Chinese Trademark Law】
Invalidation Time Limit		Five-year time limit 【Article 45 of Chinese Trademark Law】	Five-year time limit 【Article 45 of Chinese Trademark Law】	Five-year time limit 【Article 45 of Chinese Trademark Law】	Not subject to the five-year time limit, if the disputed reg. is acquired in bad faith 【Article 45 of Chinese Trademark Law】

◀ Well-Known Trademark vs. Late Trademark Application/ Registration

the issue of a well-known trademark arises mostly in the situation where someone applies for a trademark which constitutes a copy, imitation or translation of a well-known trademark, namely in the proceedings of trademark opposition, invalidation and concerned lawsuit.

As can be seem from the above list, among the above four earlier trademark rights, only the registered well-known trademark can obtain a full protection, which applies to not only same or similar goods/services but also dissimilar goods/services.

The above list can also clearly indicate that the importance of registration in trademark right protection in China. Different from the registered well-known trademark which has the protection against dissimilar goods/services, the protection of unregistered well-known trademark is limited to same or similar goods/services only. Besides, an unregistered but prior used trademark can have the same level of protection as a trademark registration, only if the former has obtained certain reputation through use.

It appears from the list that the prior used trademark of certain reputation and non-registered well-known trademark enjoy the same level of protection. However, in practice they are

not same in similarity determination of goods and marks because the protection scope changes naturally along with the degree of reputation.

"Five-year time limit" means that a prior rights holder or an interested party may apply for declaration of invalidation of the registered trademark within five years from the date of trademark registration. This is a result after balancing the interests between the prior rights holder and the trademark registrant. However, a well-known trademark holder is not subject to the "five-year time limit" when the disputed registration is acquired in bad faith. The different rules as to the invalidation time limit can strongly support the broad protection of a well-known trademark in China.

	Prior Mark Registration	Prior Unregistered Well-Known Mark	Prior Registered Well-Known Mark
Use Registered Mark as It Is Registered	× 【 Article 1 of Judicial Interpretation [2008]3】	√ [Article 11 of Judicial Interpretation [2009]3】	√ 【Article 11 of Judicial Interpretation [2009]3】
Use Registered Mark Not as It Is Registered	√ 【 Article 1 of Judicial Interpretation [2008]3】	√ 【Article 11 of Judicial Interpretation [2009]3】	√ 【Article 11 of Judicial Interpretation [2009]3】
Use an Unregistered Mark on Same or Similar Goods	√ 【Article 57 of Chinese Mark Law】	√ 【 Article 2 of Judicial Interpretation [2002]32】	√ 【 Article 1 of Judicial Interpretation [2002]32】
Use an Unregistered Mark on Dissimilar Goods	×	×	√ 【Article 1 of Judicial Interpretation [2002]32】

▲ Well-Known Trademark vs. Late Trademark Use

2. Well-Known Trademark vs. Late Trademark Use

The following list will reflect that if someone use a sign as a trademark in commerce and the said use is conflicting with the earlier trademark rights, how the reputation of a well-known trademark will affect the protection scope.

As seen from the above list, when conflicting with a trademark use in commerce, the prior well-known trademark rights have a broader protection in following circumstances:

Circumstance No. 1: In case that someone uses the trademark in commerce in the same way as it is registered but a prior trademark right holder finds that the use is conflicting with his earlier rights, there will be two different handling ways. If the earlier right holder has a normal trademark registration rights, he must first apply for declaration of invalidation against the trademark registration upon which the trademark use is based with China National Intellectual Property Administration (CNIPA). Before the invalidation is decided, Chinese Courts will not accept the lawsuit based on trademark infringement or anti-unfair competition. Currently, it takes around 1 to 1.5 years for an invalidation to be decided by the CNIPA. After that, both parties can appeal the invalidation decisions of the CNIPA to Beijing IP Court and further to Beijing Higher People's Court. Therefore, it might be considered as time consuming to the earlier right holder. However, if the earlier right holder's trademark is well-known even it is not registered in China, he has the right to directly file a lawsuit against the trademark use with Chinese courts and request the courts to prohibit the defendant from using the trademark.

Circumstance No. 2: A prior registered well-known trademark owner is entitled to have a protection in respect of dissimilar goods/services, where it is sufficient to make the relevant general public believe that there is a certain connection between the trademark against which the lawsuit is lodged

and the well-known trademark and as a result the distinctiveness of the well-known trademark is diluted and the market reputation of the well-known trademark is degraded or the market reputation of the well-known trademark is improperly utilized. However, a normal trademark registration and a prior un-registered well-known trademark are protected only against other's trademark use in respect of same or similar goods.

3. Well-Known Trademark vs. Late Enterprise Name

An enterprise name should be used in accordance with laws and not in a way to liable to mislead relative public as to the other's earlier trademark rights. The earlier trademark holder has the right to request Chinese Court to demand the enterprise name be used legally and be stopped for use. The broad protection of well-known trademark lies on situation that even the enterprise name is used on the dissimilar goods/ services, the prior well-known trademark registrant can still fight against it, where the enterprise name use will damage their interests upon the well-known trademark.

4. Well-Known Trademark vs. Late Domain Name

The above list shows that while combating the domain name right, the prior trademark holder does not need to establish the reputation of the prior trademark. However, if the holder's trademark is well-known, he has no need to prove that the disputed use

	Prior Mark Registration	Prior Unregistered Well-Known Mark	Prior Registered Well-Known Mark
Use Enterprise Name on Same or Similar Goods	√ 【Article 1 of Judicial Interpretation [2002]32】	√ 【Article 6 of Anti-Unfair Competition】	√ 【Article 1 of Judicial Interpretation [2002]32】
Use Enterprise Name on Dissimilar Goods	×	×	√ 【 Article 2 of Judicial Interpretation [2009]3】

▲ Well-Known Trademark vs. Late Enterprise Name

	Normal Mark Registration	Well-Known Mark
Register or Use Domain Name for Commercial Purpose	√ (plus bad faith and misrecognition requirement) 【Articles 4 and 5 of Judicial Interpretation [2001]24】	√ 【 Articles 4 and 5 of Judicial Interpretation [2001]24】

▲ Well-Known Trademark vs. Late Domain Name

or registration of the domain name is sufficient to cause misrecognition as to the relative public and the said use or registration of the counter party is in bad faith, as a normal trademark registration holder should do. In other words, comparatively, the holder of well-known trademark has less burden of proof while taking actions against domain name registration or use.

5. Well-known Trademark Related Criminal Liability

Under Article 123 of Chinese Criminal Law, the use of mark same to other's prior registered trademark in respect of same goods is given a criminal punishment, if the circumstances are serious. Despite that the provision itself does not make a difference between a normal trademark registration and a well-known trademark, the protection of well-known trademark right by invoking this provision is explicitly mentioned in the official letter of CNIPA dated July 12, 2019. It is reasonably expected that the well-known trademark rights will be better protected in terms of criminal punishment in China.

After the above analysis, now it is clear why the well-known trademark is deemed as having broadest protection in China. What's more, trademark holders or trademark practitioners may check the above lists to know the respective protection scope of

trademarks when encountering different conflicts.

Well-Known Trademark Recognition

After understanding the protection scope of a well-known trademark in China, we would be very curious about how to recognize a well-known trademark in China.

In China, CNIPA and Chinese Courts designated by China Supreme People's Court are the only competent authorities in well-known trademark recognition.

They may determine whether the trademark is well-known trademark, upon the request of a party and when necessary for case examination or handling, in the following types of cases:

Case types of CNIPA:

- trademark registration examination on the ground of violation of Article 13 of the Trademark Law;
- trademark violation case investigation on the ground of violation of Article 13 of the Trademark Law; or
- trademark dispute resolution cases on the ground of violation of Article 13 of the Trademark Law.

Case types of Chinese Courts:

- a trademark right infringement lawsuit initiated on the ground of violation of Article 13 of the Trademark Law;
- a trademark right infringement or unfair competition lawsuit initiated by a party on the ground that an enterprise's name is identical with or similar to its well-known trademark; or
- a counterargument or counterclaim of the defendant on the ground that the plaintiff's registered trademark is a copy, imitation or translation of its earlier un-registered well-known trademark.

As noticed from the above, domain name related disputed cases are not competent for recognizing well-known trademarks in China.

Well-Known Trademark Strategy

1. A trademark will be granted broadest protection scope in China, if it is recognized as being well-known. Furthermore, the record of well-known trademark recognition will play a substantial impact on future cases based on the same mark. Therefore, it is recommended to applying for recognition when encountering a proper case.

2. The most difficult part for an applicant in well-known trademark recognition is to submit enough evidence proving that his trademark has become well-known. The evidence should prove the reputation of the applicant's mark before the date of filing of the disputed mark or before the date of the alleged use. The evidence is better formed in mainland of China (excluding Hong Kong and Macao), because the reputation in other jurisdiction is deemed as a reference. Well-known trademark recognition is a very challenging task. It is advised that the applicant put great efforts to fully demonstrate that it is a leading brand in the relative field in China.

3. The first to file principle is mainly followed in trademark examination and protection in China. As above analyzed, a registered well-known trademark and an unregistered well-known trademark is quite different in protection scope in China. It is advised to take actions to ensure the well-known trademark be registered in China, except that the said mark is not inherently registrable.

4. In China, the well-known trademark owner should be cautious that they cannot use the words "well-known trademark" on their goods and the packages or containers of their goods or for advertisements, exhibitions, and other commercial activities. However, the owner can advertise well-known trademark recognition as an event in their company websites, WeChat accounts, and etc.

5. A Chinese trademark registration is vulnerable to a non-use cancellation after it is registered for three years. A trademark registration which used to be recognized as well-known trademark cannot be an exception. Therefore, it is necessary to save the concerned use evidence from time to time and monitor any use deadline even for a well-known trademark registration.



Key points of Chinese graphic trademarks searches

By Hui Chen, Gang Hu

In recent years, the number of trademark registration applications in China has been increasing year by year. With the rapid increase in the number of trademark registration applications in China, the difficulty of trademark searches, especially the search of graphic trademarks, continues to increase. For a complex graphic trademark, it may need to compare thousands or even tens of thousands of trademarks in the search. The huge registration and application volume of trademarks make the search of trademarks (especially graphic trademarks) more and more important and challenging. This article attempts to introduce some of the key points of graphic trademark search in China.

First, determine whether the trademark graphic part needs to be searched. In view of the fact that many application trademarks are consisting of several characters and graphic parts, we need to judge whether the graphic part of the trademark needs to be searched. The criterion here is whether the graphic parts are distinctive enough. If the graphic part of the mark is not distinctive enough, because the most



distinctive part of the marks are their letters or characters and the graphic parts are only decorative elements to the whole mark, such as the following:






there is no need to search the graphics contained by the mark.

In other trademarks, such as


and ,


the graphical parts have strong originality and are in a prominent position throughout the trademark, so it is recommended to search the graphic elements.

Second, accurately determine the graphic elements of the trademark to be searched. In graphic trademark searches, we need to follow the "simplification principle" – not to use imagination – to treat graphics as a combination of simple geometric elements. Taking "∞"as an example, many people think that this is a figure "8" lying on its side, or as the mathematical symbol for infinity. However, in the actual search, if the number is "8" or adopts the element "infinity symbol," similar marks would not be revealed. Instead, the other graphic element – "two juxtaposed or crossed circles or ellipse" – can cite more similar graphic trademarks. For this reason, we can infer that the Examination Department is obeying the principle of simplicity when it first divides the graphical elements.

Other points of the graphic trademark search

Pay attention to the actual examination standards of the Examination Department, the Review Department and the courts. The judgment of graphic elements is the first step, and then more important is the understanding of similarity of marks. In addition to the judgment based on professional standards, it should also pay close attention to the Examination Department, Review Department and the court's judgment criteria for trademark similarity. Trying to judge the similarity of the trademarks from the perspective of the examiners would help give trademark owners predictive advice.

Pay attention to other advanced search tools, keeping up with the times. It takes more and more time to perform graphical trademark searches through manual query technology and query means, and the accuracy of the results is more and more difficult to guarantee.

With the continuous innovation and development of science and technology, the use of information technology to improve the efficiency of trademark graphics retrieval has become the consensus of trademark institutions in various countries. For example, in the past two years, several pieces of "graphic map search software" software have appeared in the domestic industry, and the search function has reached the level of eSearch plus (The eSearch plus application provides users with comprehensive information about trademarks, designs, owners, representatives and bulletins. It enables users to perform quick and efficient searches within EUIPO's databases).

On the other hand, in order to solve the bottleneck of the above technology, the introduction of artificial intelligence may partially solve this problem. For example, Google launched its AutoDraw smart drawing software in 2017, and you can consider trying to apply these artificial intelligence techniques to solve the problem of graphical search.

Pay attention to the official new











initiatives. Another particularly noteworthy trend is that in February 2019, the trademark graphic intelligent search function of the Examination Department was officially launched in China. This is a milestone event after the trademark online service system was fully launched and the trademark database was opened to the public free of charge. This is also a new starting point for the transformation of China's trademark review from automation to intelligence.

The application of intelligent search technology has realized the transformation of the trademark examination work from pure manual searches to "searching by pictures," effectively avoiding the problems of different standards caused by artificially judging, and greatly reducing the number of trademarks requiring comparison. The number of views of trademarks in searches has been reduced from the original tens of thousands of trademarks to about 5,000 when comparing whether marks are similar.

It is understood that up to now, in the trademark five party member states (China, the United States, the European Union, Japan, South Korea), China has taken advantage of the data and later took the lead in realizing the application of the graphical intelligent search function to the search practice.

The Examination Department stated that it will continue to promote the deep integration of artificial intelligence technology and trademark examination, expand the application scope of new technologies such as artificial intelligence in the trademark fields, strengthen the construction of information technology, further enhance the quality and efficiency of trademark examination, and continuously improve the service level of trademarks examinations. The positive measures of the Examination Department on trademark graphic searches are worthy of continued attention.

As an important and convenient supplement, we may use the image search provided by WIPO's Madrid Monitor, which accesses detailed information on all trademarks registered through the Madrid System. Graphic trademarks are searched by pictures with high accuracy. They can be searched by shape, color, texture and composite. We can also add figurative elements of the Vienna Classification to make the search results even more precise.

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