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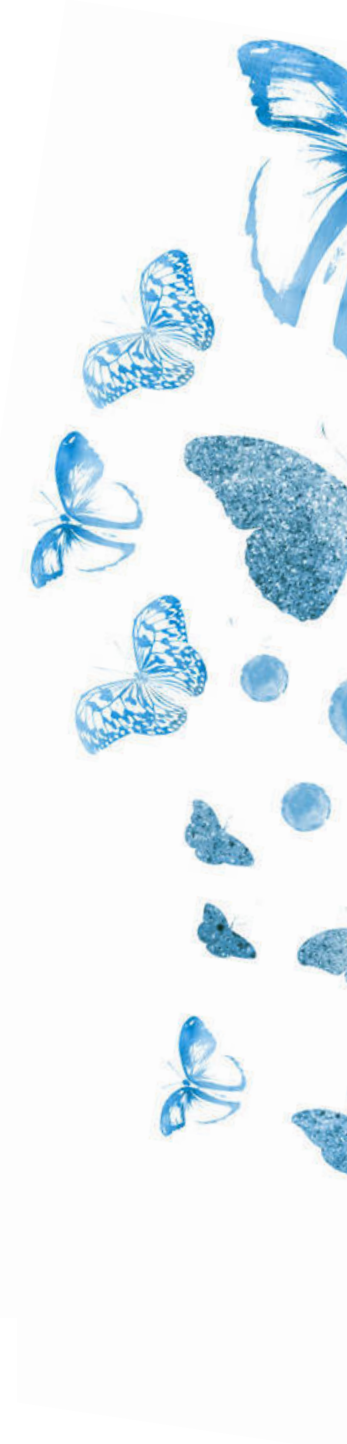
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Change of management team



Mr. Chuanhong Long



Mr. Hao Ma

We are pleased to announce that as of February 18, 2021, Mr. Chuanhong Long has succeeded Mr. Hao Ma as President of CCPIT Patent and Trademark Law Office. Mr. Hao Ma retired and will continue his services to the firm as Of Counsel.

Mr. Long joined our firm in 1994 and qualifies as patent attorney and attorney at law. He represents domestic and international clients in prosecution, licensing and litigation of patent, trademark, and other intellectual property rights. He has been actively participating in the management of the firm as Vice President since 2009. Mr. Long was selected as one of the leading IPR experts by the State Intellectual Property Office in 2012 due to his outstanding professional performance. He also provides his services to the intellectual property community as Vice President of AIPPI Chinese Group and Vice President of FICPI China Section.

Mr. Long graduated from Tsinghua University in 1993 obtaining master's degree in engineering. He also obtained master's degree in law from Peking University.

Building on our achievements and core values in serving domestic and international clients for 64 years, we will continue to honor our commitment of rendering solution-oriented services with high quality, efficiency and reliability to our global clients.

Legal 500 Asia Pacific 2021: CCPIT is in the rank of TOP-TIER FIRM again

On January 14, 2021, Legal 500 released its annual survey results of Asia Pacific 2021 rankings, i.e., Legal 500 Asia Pacific 2021. CCPIT Patent & Trademark Law Office, once again, was selected as Leading Firm 2021 in Asia Pacific are and in the rank of the TOP-TIER FIRM in China in intellectual property, both in the contentious and non-contentious practice areas. According to Legal 500, CCPIT Patent & Trademark Law Office "has a sizeable intellectual property practice and offers clients a full-service approach. The firm advises clients on both contentious and non-contentious matters relating to trademarks, patents, domain names and more. The firm has a strong international presence with office locations spread across Asia, USA, and Europe." 3 individuals from the firm are mentioned by name in Legal 500 Asia Pacific commentary for their standout contribution to respective practices.

Band 1 Intellectual Property Non-Litigation Chinese Firm by Chambers Asia-Pacific 2021

Recently, Chambers and Partners released its Chambers Asia-Pacific 2021 Rankings. CCPIT Patent and Trademark Law Office was ranked as Band 1 intellectual property office in non-litigation area in China. According to Chambers, “the team is known for strong record in handling patent and trademark registration and protection matters. Especially noted for its strength in prosecution work. Meanwhile, the team also offers expertise in relation to IP disputes, and is especially active in patent and trademark infringement cases. Multinationals and domestic corporations count a number of clients of the office. Excellent team from the office has acted successfully for ExxonMobil in trademark opposition cases.”



Selected as Recommended Firm 2021 China by WTR 1000

In February 2021, the leading national and international trademark practitioners from around the globe have once again been exclusively revealed with the publication of the 2021 edition of the WTR 1000.

CCPIT Patent and Trademark Law Office was recommend and ranked in "Gold Band" for Chinese trademark prosecution and strategy by WTR 1000. According to WTR, CCPIT Patent & Trademark Law Office is "one of the first IP firms established in China, and also lays claim to being among the largest, with 294 patent and trademark attorneys who provide comprehensive trademark services delivered through high-quality work at reasonable and competitive rates. Chinese clients cannot help but sing their praises. 'Professional and responsible, the trademark team actively supports our business, with careful analysis of difficult cases to provide a detailed solution.' 'They communicate clearly and professionally, writing in a way that is easy to understand and accurate. The firm is not just an IP agency that does its best to handle IP cases but it acts as a trustworthy IP steward, making clients feel at ease by considering problems from their perspective.'"

Honored as Outstanding Trademark Agency 2020 by China Trademark Association

On Nov. 24th, 2020, China Trademark Association announced a series of awards. CCPIT Patent & Trademark Law Office was once again ranked as "Outstanding Trademark Agency 2020" and 4 trademark attorneys from the firm were honored as "Outstanding Trademark Attorney". Being the first IP agency in China, CCPIT has won the awards for many consecutive years. Meanwhile, the administrative litigation case of the firm originating from an invalidation action against the mark "宝格丽 BVLGARI" is selected as one of the "Outstanding Trademark Cases 2019-2020".

Honored as Outstanding Patent Agency 2020 in Beijing

Beijing Patent Attorneys Association (BJPAA) announced on Dec. 23, 2020, the “Outstanding Patent Agencies and Attorneys’ Appraisal Results 2020 in Beijing”. It took seven months for BJPAA to take multidimensional indexes such as business performance, overall situation, participation in IP-related government and industry associations and social welfare activities into consideration to evaluate the eligible agencies. CCPIT Patent & Trademark Law Office, was again, in the rank of the “Outstanding Patent Agency 2020 in Beijing" and an attorney of the firm was honored as “Outstanding Patent Attorney in Beijing". Being the first IP agency in China, the awards amply demonstrate the competence and excellence of the firm.

Ranked in the list of local Institutions with Strong International IP Service Capabilities in Beijing

On Sep. 7th, 2020, the Capital Intellectual Property Services Association announced the “List of Local Institutions with Strong International IP Service Capabilities in Beijing”, CCPIT Patent & Trademark Law Office, with the solid strength, was included in the list. To determine the firms to be included in the list, the team of experts from Beijing Intellectual Property Office evaluated the firms by referring to their comprehensive strength, successful cases, influence in the art and demonstrative effects etc. Depending on industry-renowned services and extensive network with partners around the world, CCPIT Patent & Trademark Law Office has successfully achieved global layout of IP assets for thousands of clients. Being included in the List amply demonstrates the professionalism and excellence of CCPIT in the international IP area. In the future, CCPIT will spare no effort to improve overseas IP service capabilities to guarantee better services for domestic enterprises to go abroad.

Honored as 2019-2020 Top 10 Intellectual Property Litigation Agency in China

On Dec. 3rd, 2020, IP House and Zhichanli jointly released the ranking of 2019-2020 Top 10 Intellectual Property litigation Agencies in China. CCPIT Patent and Trademark Law Office, once again, is in the list.

The ranking was based on about 200 thousand decisions on intellectual property cases made between Jan. 1st, 2019 to Dec. 31st, 2019. The following aspects were taken into consideration, such as the distribution of the court's levels, nature of the cases, winning rate, supported claims, standing in the litigations, the claimed damages, the clients, recognition by other mechanisms, the qualification and size of the firms, number of represented cases, the number of clients and the nationality distribution of clients.

The invalidation and administrative litigation case on Pierre Cardin trademark and the infringement case on Pilot's patent of our firm were selected as representative cases. The outstanding comprehensive competence in litigation of CCPIT Patent and Trademark Law Office was highly appreciated by insiders in the intellectual property area, which amply demonstrated the leading position of our firm in China.

The fourth IP court in China established in Hainan Free Trade Port



To strengthen IP protection, China has previously established three IP courts in Beijing, Shanghai and Guangzhou. On December 26, 2020, the National People's Congress enacted a measure establishing the fourth IP court in Hainan. On December 31, 2020, the IP court of Free Trade Port of Hainan was formally established, specializing in the handling of IP rights disputes.

Zhou Qiang, president of the Supreme People's Court, the nation's top court, made an explanation on the (Draft of) Decision on Establishment of the Intellectual Property Court of Free Trade Port of Hainan.

According to Zhou's explanation, there are two main reasons why Hainan is chosen. Firstly, to establish the 4th Intellectual Property Court in Hainan plays an important role in fulfilling the Overall Plan of the Construction of Free Trade Port of Hainan. The establishment of the Intellectual Property Court of the Free Trade Port of Hainan is an inevitable requirement for implementing General Secretary Xi Jinping's important directive spirit on the construction of Hainan Free Trade Port and the central important strategic plan. It will further enhance the modernization level of Hainan's intellectual property

trial system and judicial capacity, strengthen the judicial protection of intellectual property rights in Free Trade Port in Hainan, and create a favorable business environment. It is also of great significance in expanding the international influence of Hainan Free Trade Port and accelerating the cultivation of new competitive advantages in participating in and leading international economic cooperation.

Secondly, from the current situation of intellectual property trial in Hainan court, the basic conditions for the establishment of Hainan Free Trade Port Intellectual Property Court have been met. Since 2009, Hainan Higher People's Court and various intermediate people's courts (except Sansha Intermediate People's Court) have set up special intellectual property tribunals to exercise "three in one" jurisdiction over civil, administrative and criminal cases of intellectual property. In September 2019, Haikou Intermediate People's Court set up an intellectual property tribunal to exercise centralized jurisdiction over the province's intellectual property cases and operate in accordance with the mode of "integration of legislation, trial and execution". Meanwhile, there is a good talent base of the judicial team. Hainan courts have 35 judges and 30 assistant judges engaged in intellectual property trial. What's more, there are enough cases to support the establishment of the Intellectual Property Court. Hainan has witnessed rapid growth of its IP disputes last year following the establishment and development of the port. From January to June, courts in Hainan heard 989 IP cases. It is estimated that about 2500 cases will be accepted in the whole year, and about 4000 cases will be heard in 2021.

Hainan Free Trade Port Intellectual Property Court will cover IP-related civil, administrative and criminal cases and is expected to be an intermediate court. Appeals against its first-instance decisions will be made to the Hainan High People's Court.



Trademark hoarding, rejected!

By Chuan Wang



Since the implementation of the amended "China Trademark Law" on November 1, 2019, trademark examination authorities have taken more efforts to crack down on bad faith trademark applications.

The action of trademark hoarding by filing a huge number of trademarks with no real intention of use or reasonable ground has been regulated. It is reported that:

Zhuhai Yunfeifan Trading Co., Ltd. applied for 5110 trademarks in a single day, of which 5109 were rejected.

Zhuhai Dianyu Trading Co., Ltd. applied for 5061 applications in a single day, of which 5054 were rejected.

The trademarks filed by the above companies are basically arbitrary combinations of two or three Chinese characters, and they are not related to each other. They are not deliberate imitation or plagiarism of the prior trademarks of others. These applications are for the purpose of hoarding trademarks and assignment for profit, which obviously lacks the intention to use, exceeds the needs of normal business activities, and disrupts the market order of fair competition and the order of trademark registration management. The trademark examination authorities have cracked down on the above-mentioned hoarding actions at the same time.

The trademark examination authorities also severely crack down on other types of bad faith trademark applications, such as free-riding on another's goodwill, registering another's famous trademarks in unfair means, rushing to register public resources, applying for the registration of the names of celebrities and other prior rights of others, to create a fair and trustworthy market competition environment for the public.

Summary of 2020: Chinese IP system to a new height



On January 22, the China National Intellectual Property Administration (CNIPA) released yearly statistics on patent, trademark, geographic indication (GI) and layout design of integrated circuit in its first quarter press conference of 2021 in Beijing. All major statistics met expectations in 2020, indicating another step upward for the Chinese IP system.

In 2020, China granted 530,000 invention patents. At the year's end, the number of valid invention patents grossed 2.213 million (excluding Hong Kong, Macao and Taiwan). The number of invention patents owned by per 10,000 people stood at 15.8, completing in advance the goals set in the 13th Five-Year Plan. China received 72,000 PCT applications, 67,000 of which were filed by domestic applicants. China granted 2.377 million utility model and 732,000 industrial design patents respectively.

The number of registered trademarks in China was 5.761 million. China contributed 7,553 international trademark filings under the Madrid System. China examined 149,000 trademark dispute cases, up 64.7% and concluded 358,000 trademark review and adjudication cases, up 7.8%.

China received ten applications for GI protection and approved six GI products. In parallel, 1,052 businesses were certified to use a GI symbol and 765 GI trademarks were registered. As of the end of 2020, there were 2,391 GI products under protection and 6,085 registered GI trademarks. The number of businesses which were certified to use a GI symbol stood at 9,479.

IP authorities across the nation handled more than 42,000 administrative disputes over patent infringement. The society's satisfaction over IP protection-scored at 80.05, exceeding 80 points for the first time.

In 2020, there were 12,039 patent and trademark pledge financing cases, grossing 218 billion yuan of loans, up 43.8% and 43.9% respectively.



The fight against the phenomenon of mass attacks against a targeted or given trademark

By Aimin Huo

The key amendments to article 4 in the Trademark Law of the People's Republic of China (PRC), amended in 2019, were a concrete and effective endeavour to address the concerns of trademark rights owners and fight against trademark filings in bad faith. Article 4 stipulates that applications for trademark registrations in bad faith which are not intended for use shall be refused. The amended Trademark Law also provides sanctions on trademark agencies or attorneys which are engaged in offering assistance to applicants filing trademarks in bad faith.

We have seen an increasing number of cases and decisions issued by the Chinese trademark authorities or verdicts rendered by the Chinese courts in rejecting trademarks filed in bad faith, invalidating trademarks registered in bad faith, prohibiting trademarks used in bad faith or dismissing trademark infringement lawsuits filed in bad faith.



News came out in early December 2020, about two Chinese companies running into problems due to filing trademarks in bad faith.

These companies are both located in Zhuhai, Guangdong Province. One of them, Zhuhai Yunfeifan Trading, filed 5,010 trademarks in one day, on May 22, 2018. The China National Intellectual Property Administration (CNIPA) rejected 5,109 trademarks filed by this company. The other one, Zhuhai Dianyu Trading, filed 5,061 trademarks in one day, on June 27, 2018. CNIPA rejected 5,054 trademarks filed by this company.

The wholesale rejection is basically a death sentence to the business model of filing trademarks in bad faith for these two companies and a loud and clear warning for the other applicants involved in filing or planning to file trademarks in bad faith.

The proactive actions taken by the Chinese trademark authorities and courts against trademark squatters and especially those filing and hoarding hundreds of trademarks are encouraging news for brand owners.

Mass attacks

One formidable act of bad behaviour—the phenomenon of mass attacks launched by trademark mobs against the successful brand of a legitimate trademark owner—deserves attention.

This phenomenon can be summarised in two scenarios. One is that the trademark mob—in other words, multiple companies or individuals—targets a successful or popular brand, filing similar trademarks for registration and then using the registered trademarks to defend their infringing use of the similar or conflicting trademarks.

The other scenario is that one company or individual targets a successful or popular brand, filing (sometimes multiple) similar trademarks for registration and then using the registered trademark to defend their infringing use of the similar or conflicting trademarks.

When multiple companies or individuals target a successful or popular brand, a brand owner has to face the terrible situation of mass attacks. The problems become more complicated for the legitimate trademark owners when some of the trademarks filed by the trademark mob pass examination, mature into registra-

tion and are put into commercial use.

As a consequence, legitimate brand owners have legal barriers to stop the infringing trademark use because, as a general rule, the legitimate owners need to have the conflicting registered trademarks invalidated first, or need to have the prior trademark recognised as a well-known trademark in order to stop the infringing trademark use. However, invalidation proceedings can be time-consuming and costly, and it can be hard to get well-known trademark recognition in China. When confronting the mass trademark attacks and fighting against numerous companies or individuals at the same time, it can be a tremendous burden and challenge for the legitimate brand owners.
The present article 4 of the PRC Trademark Law offers brand owners the weapon to fight and curb trademark squatting or hoarding behaviours. Article 4 provides that applications for trademark registrations in bad faith which are not intended for use shall be refused.

Defending against mass attacks

Unfortunately, legitimate brand owners do not have an effective mechanism to stop the phenomenon of mass attacks. It is suggested that the following solutions should be adopted to contain or overcome the mass attacks.

Data should be relied on by the Chinese authorities or courts to help brand owners tackle mass attacks launched by a trademark mob. When data reveals the pattern of mass attacks against one targeted or given trademark, the attacked trademark should be considered as a trademark having reputation or influence in the marketplace and the conflicting trademarks should be rejected or invalidated.

The use of the conflicting trademark should also be stopped to protect the prior trademark having reputation or influence in the marketplace and, at the same time, safeguard consumers' interests.

When the data reveals the pattern of the mass attacks, the examiners should conduct ad hoc or consolidated examinations of the conflicting trademarks at the request of the legitimate brand owners or on the initiative of the trademark examiners, as in the case of the wholesale rejection decisions against the two Zhuhai companies.

This will save time and legal resources in solving the problems for both the brand owners and the examiners. If the disputes involving mass attacks are handled case by case, it can be very time-consuming and costly for brand owners and it can cause waste of legal resources and, besides, it can lead to inconsistent decisions or verdicts or result in delaying the legitimate brand owner in taking timely actions to stop the infringing trademark use.

When the data reveals the pattern of the mass attacks, the burden of proof regarding the reputation of the targeted trademark should be reduced for the legitimate brand owners and especially for the brand owners which produce and distribute products or offer services in a niche market.

It is self-evident that a given trademark that is subject to the mass attacks by multiple companies or individuals, has usually developed reputation and influence in the marketplace, otherwise there is no logic and

reason for numerous companies and individuals to file trademarks similar to the targeted trademark.

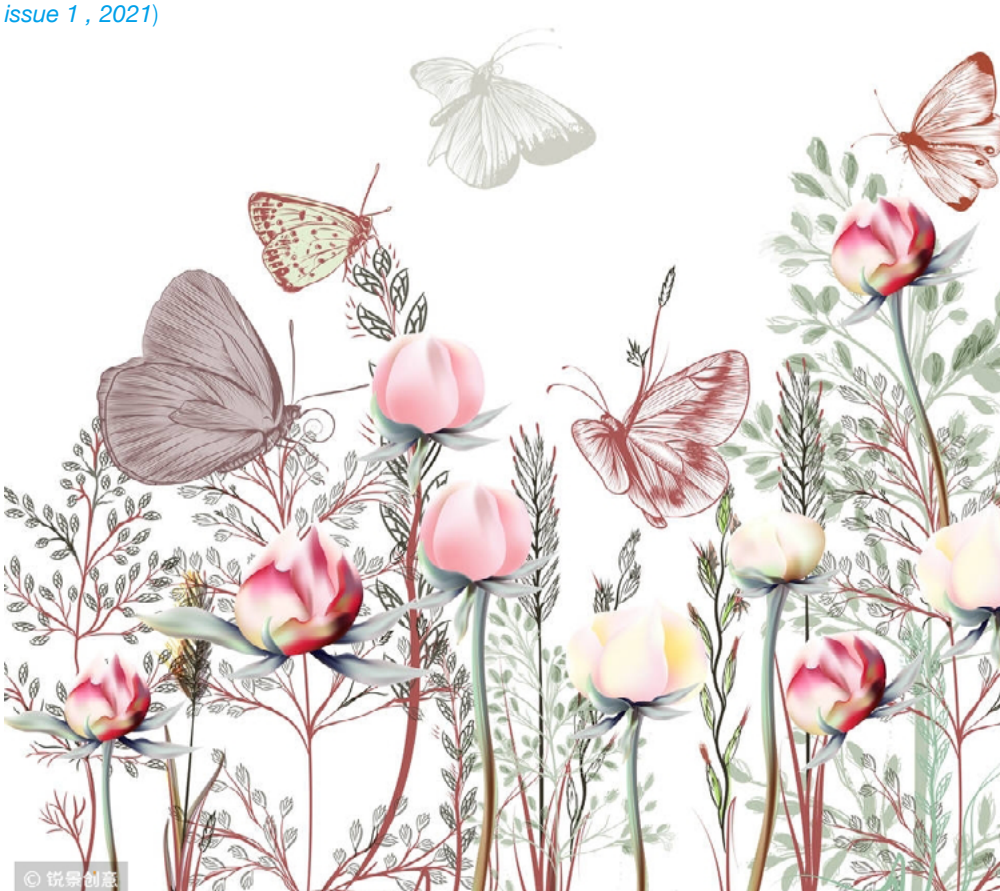
When the products and services are in a niche market, the brands used are normally not exposed to the public, or to the examiners or judges who handle trademark disputes. In this situation, the data revealing the pattern of the mass attacks should be considered and admitted as evidence proving the reputation and influence of the attacked trademark.

Other evidence such as testimonies or affidavits issued by the trade or industrial associations or peer companies should also be considered and admitted as evidence that proves the reputation and influence of the attacked trademark with the relevant consumers.

CNIPA has a blacklist of trademark squatters or hoarders to help trademark examiners in the process of handling trademark examinations, oppositions and invalidations. It is suggested that CNIPA should also compile a blacklist of the actors in the trademark mob or a list of the trademarks frequently suffering mass attacks to assist the trademark examiners as internal references during trademark examination, opposition and invalidation proceedings.

Phenomenal problems require phenomenal solutions. One strong tiger may not defeat a pack of wolves, let alone more than one pack of wolves. When facing the same phenomenal problems, brand owners should collaborate, joining forces and mobilising all available resources to figure out solutions to fight the bad faith behaviours more effectively.

(First published in *WIPR digital issue 1 , 2021*)



Examining the challenges of obtaining a sound trademark in China

By Gang Hu

As early as May 1 2014, China's revised trademark law cancelled the visibility requirements for trademark registration, and for the first time, evolved to incorporate sound into the scope of trademark registration.

There is little doubt that sound trademarks have proven to provide great commercial value in the era of rapid communication of information. As of 2021, China's trademark law has protected sound trademarks for nearly seven years, though the challenges of obtaining one continues to elicit wider discussion.

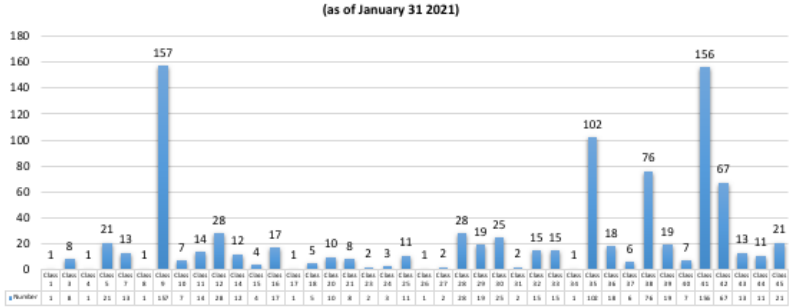
According to statistics, by the end of January 2021, 928 sound trademarks have been formally filed before the China Trademark Office. These sound trademark applications cover all 40 classes of goods and services under the Nice Classification system, except for classes 2, 6, 13, 19 and 22.

Growing number of applications

From Table 1, it can be noted that the top five classes with more than 60 applications are classes 9, 41, 35, 38 and 42 in turn. It is worth mentioning that at present, most sound trademarks (723, accounting for 77.9% of the total number of applications) are filed by Chinese domestic applicants.

Table 1: Statistical chart of sound trademark applications in China

(as of January 31 2021)


180
160
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Part VI - Examination of sound trademarks of the Trademark Examination and Adjudication Standard (2016) issued by the China Trademark Office clearly specifies that sound trademarks should adopt the examination standards consistent with visually perceptible trademarks. In addition, it also specifies the form of generalisation and enumeration as “if the sound only directly indicates the content, target-consumer, quality, function, use and other characteristics of the specified goods or services, it should be considered that this sound is devoid of any distinctiveness.” Moreover, it is also clearly stipulated that “generally speaking, sound trademarks need to be used for a long time in the market before they could acquire distinctiveness.”

In addition, when sound trademark applications come to the substantive examination procedure, the examiner may issue a notification of examination opinion, requiring the applicant to submit requisite evidence of the use of the sound trademark, and to provide a detailed explanation of the circumstances in which the sound trademark has obtained distinctiveness through use. The evidence needs to prove that the primary function of the sound is not sound per se, but to indicate a source of designated goods or services, that is, when the relevant section of the public hears a sound, they can involuntary associate it with a specific source.

Identifying sound

The question arises about how to understand sound that only directly represents the content, target-consumer, quality, function, use and other characteristics of the specified goods or services, and whether this should be devoid of any distinctiveness.

In this regard, the following two sound trademarks that have been rejected by the trademark office, are taken as examples:

1) Shenyang Li Lian GUI Bacon Pancake Catering Center Co applied for the sound trademark no.15482982 “Li Lian GUI Bacon Pancake”, which was designated to be used in respect of the services in class 3; and

2) Zippo Manufacturing Company applied for the sound trademark no.34198632 “Ding; Zeng; Ka”, which was designated to be used in respect of the goods (cigarette lighters) in class 34.

As for sound trademark no.15482982 of "Li Lian GUI Bacon Pancake", it specifically showed that it sung the seven Chinese characters "李-连-贵-熏-肉-大-饼" in the C4/4 music beat with different tones. Therefore, its expression belonged to descriptive phrases that are sung and exhaled only in ordinary intonation or simple melody.

As for sound trademark no.34198632 of "Ding; Zeng; Ka", it played like a continuous single tone auditory effect produced by three different tones and intensities. It may be thought that the auditory effect reflects the mechanical sound of opening the cover, turning the flint wheel, and closing the cover when using a cigarette lighter. Therefore, the expression form of this sound trademark could be considered as a sound that is inevitable or unavoidable in the normal use of goods or the normal provision of services. As a result, the China Trademark Office holds that the two sound trademarks mentioned above are not distinctive enough in the sense of trademark law and thus cannot be registered.

A further query concerns the understanding that sound trademarks need to be used for a long time in the market in order to acquire requisite distinctiveness. First of all, if sound trademarks have just





been put into commercial use or have not planned to enter the commercial field, it is difficult to claim that sound trademarks have formed a certain market influence and have a high popularity, so it is impossible to obtain registration. Secondly, with the continuous innovation of modern advertising modes and new media technology, it is not impossible for many sound trademarks to have a certain popularity through a large amount of advertising investment in a very short amount of time. However, the problem is that gaining a certain popularity does not necessarily mean that the sound trademark has the 'identification' and 'distinctiveness' in the sense of trademark law.

In December 2020, Li Jiaqi, a popular live-streaming commerce anchor in China, applied for the sound trademark no.45217353 of "Oh my god, 买它, 买它!", which was later rejected after being examined by the China Trademark Office. It brought back the discussion of the distinctiveness of sound trademark registration and it swiftly became one of the most searched hashtags on the Chinese internet.

This trademark belongs to the type of 'text-call' sound trademark. According to the existing practice of sound trademark examination in China, one should first pay attention to distinguish whether the calling text or the sound itself plays a real recognition role in the process of use. If the sound trademark only belongs to the form of calling words with ordinary intonation or an extremely simple melody, the words are likely to be impressive and play a role of recognition in the process of use, while the sound is only regarded as the auxiliary background of words, or 'the voice of words'.

Although this kind of sound trademark may only prove to be well-known by the public after long-term or extensive use, it needs to be analysed and judged according to the actual situation whether it is 'voiced words' or sound itself as a trademark used to identify and distinguish the source of goods or services.

As for the sound trademark no.45217353, on the one hand, as stated in the text submitted at the time of filing, the sound "has a strong personal style", and has been widely used for a long time through the form of live-streaming commerce, which has been well known to a certain range of the relevant public. Therefore, as far as sound itself is concerned, it is possible to identify and distinguish the source of goods or services. This still needs to be proved by submitting sufficient evidence of use.

On the other hand, for the text it referring to "Oh my god, 买它, 买它!", the Chinese meaning of the word 'god' in the English part of the trademark is considered to be explicit. According to the existing practice of trademark examination in China, it will still be classified as "obviously a sign harmful to socialist morality or other adverse effects"", so it is forbidden to reg-



ister and use as a trademark.

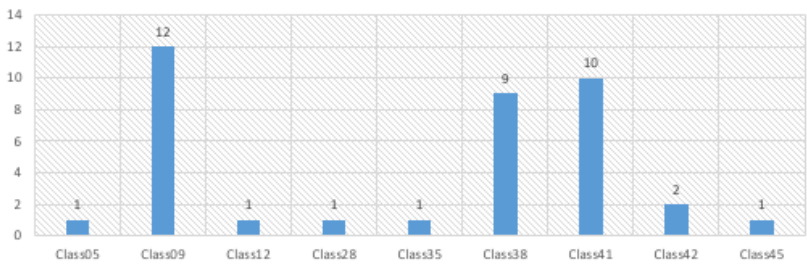
For the Chinese part "买它，买它!", which has the meaning of "buy it, buy it!", it only directly indicates the content and purpose of designated service items in class 35, so it has no inherent distinctive characters. In sum, this case suggests that even if the sound in the sound trademark is originally created or first used by the applicant, it cannot be taken for granted that it has distinctiveness as a trademark.



Low success rate

From the above, it can be seen that it is not easy to successfully apply for sound trademarks in China. According to the statistics in Table 2, among the 928 sound trademark applications that have been formally accepted and examined so far, only 38 sound trademarks have been approved for registration (18 of which have been applied for registration by foreign applicants). The total ratio of sound trademark approval registration and application acceptance is only 4%.

Table 2: Classification statistics of registered sound trademarks in China
(as of January 31 2021)



From Table 2, it can be further noted that the top three classes with the largest number of registered sound trademarks include classes 9, 41 and 38, with a total of 31, accounting for 81% of the total number of registered sound trademarks so far in China.

It can be said that with the development of modern science and technology, in addition to the traditional forms of broadcasting, sound trademarks are becoming more widely spread, more convenient and more impressive through television, mobile phones, mobile terminal devices, internet and other electronic media. By listening to the sound trademarks repeatedly as time goes on, and by continuously strengthening the memory of the voice of the relevant public, the sound generates association and establishes a unique corresponding association with the suppliers of goods or services, and can finally be successfully registered.

This also proves the great value and influence of using information media and its business model for the expansion of sound trademark publicity. This remains worthy of attention and serious treatment by Chinese and foreign applicants who want to obtain a sound trademark registration.

(First published in *MIP March issue, 2021*)

Trademark litigation in China, 2021

By Aimin Huo



China has a comprehensive and integrated legal framework for trademark protection based on domestic legislation as well as international IP treaties and conventions. The Trademark Law and its Implementing Regulations are the primary sources of law on trademark protection. The Trademark Law entered into force in 1983 and underwent amendments in 1993, 2001, 2013 and 2019 respectively.

In addition to the Trademark Law, the domestic laws, rules and regulations on trademark protection across the administrative, civil and criminal spheres include:

- the Civil Law;
- the Tort Law;
- the Criminal Law;
- the Copyright Law;
- the Anti-unfair Competition Law;
- the E-commerce Law;
- judicial policy, interpretations and guidelines issued by the Supreme Court on issues such as jurisdiction, application of laws, conflicts of rights, preliminary injunctions and evidence preservation, among other things, in trademark-related administrative, civil or criminal litigation;

- rules, regulations or guidelines on trademark protection issued by the competent authorities (eg, the Chinese National Intellectual Property Administration (CNIPA), the State Administration for Market Regulation (SAMR), the General Administration of Customs, the Ministry of Public Security and the Supreme People's Procuratorate);
- guiding cases or typical cases published by the Supreme Court; and
- reference cases published by local High Courts, among others.

In the Trademark Law amended in 2019, statutory damages have been increased to Rmb5 million (approximately $744,000) from Rmb3 million (approximately $446,400) and the punitive damages for grave trademark infringement have been raised from three to five times the damages assessed in light of one of the following factors:

- actual losses of the trademark rights holder;
- profits of the infringer; or
- a reasonable multiple of the relevant trademark licence fees when it is difficult to determine the rights holder's losses or the infringer's profits.

On 23 April 2019 the Anti-unfair Competition Law was amended. The amended Anti-unfair Competition Law features trade secret protection and increased fines and damages for acts of unfair competition, increasing statutory damages for such acts which, among other things, violate IP rights, from Rmb3 million (approximately $446,400) to Rmb5 million (approximately $744,000).

Trademark litigation acts as much more of a deterrent if it can hold the individuals (ie, the masterminds of the infringement, the legal representatives or shareholders of the companies committing the infringing acts) liable for trademark infringement. In recent years, the China's courts have rendered verdicts that have held company legal representatives or shareholders liable jointly or severally for acts of infringement perpetrated by their companies to prevent sophisticated infringers from abusing the independent legal person status of the company or the limited liabilities of shareholders to evade trademark infringement penalties.

On 15 June 2020 the CNIPA issued Criteria on Determining Trademark Infringement, aimed at providing guidelines for the administrative law enforcement authorities to determine trademark infringement when handling trademark enforcement cases.

On 27 July 2020 the Supreme People's Court issued the Guiding Opinions Concerning Strengthening Searches for Similar Cases to Unify the Application of Law. These guiding opinions became effective on 31 July 2020 with the view to resolving inconsistencies in court judgments.

On 13 September 2020 the Supreme Court issued the Guidelines of the Supreme People's Court on the Trial of Cases Involving Intellectual Property Rights Disputes on E-Commerce Platforms and Official Reply from the Supreme People's Court on Issues Concerning the Application of Law in Disputes Involving Online Intellectual Property Rights Infringement. The guidelines provide clearer guidance for the courts regarding the application of law when hearing cases involving IP rights-related disputes on e-commerce platforms.

Causes of action

Trademark litigation falls into the following categories in terms of applicable laws, procedures, nature and objectives:

- administrative litigation:
  - judicial review of decisions or rulings on official refusal, opposition, invalidation and non-use cancellation, among others, rendered by the CNIPA;
  - judicial review of other trademark-related specific administrative acts carried out by the CNIPA and the SAMR; and
  - judicial review of decisions or rulings on trademark infringement rendered by the local market regulation administration; and

- civil litigation:
  - trademark infringement litigation;
  - trademark ownership dispute;
  - motion for a non-infringement declaratory judgment;
  - trademark transfer contract dispute;
  - trademark licensing contract dispute;
  - trademark agency contract dispute;
  - motion for preliminary injunction;
  - motion for pre-trial asset preservation in a trademark dispute;
  - motion for pre-trial evidence preservation in a trademark dispute;
  - cases involving damage liability arising from erroneous motion for preliminary injunction; and
  - other trademark-related disputes.

The rights holder may initiate the following actions for trademark protection for unregistered trademarks:

- seeking well-known trademark recognition to stop the infringing trademark use on similar goods or services;
- filing unfair competition litigation to stop the infringing trademark use, as the Anti-unfair Competition Law prohibits use of influential product names, trade dress, trade names, institutional names, personal names (including pen names, stage names and translated names) and distinctive elements in domain names owned by others that are likely to cause confusion; and
- filing copyright litigation if the unregistered trademark is subject to copyright protection.

If recognised as a well-known trademark, the registered trademark can help the rights holder to stop the use of the infringing trademark on dissimilar goods or services.



The Chinese courts have rendered verdicts, holding that the sale of parallel imported goods constitutes trademark infringement if there are substantive changes in product packaging, difference in terms of quality or trademark use between the authorised goods and the parallel imports.

Criminal litigation

The following acts carry criminal liabilities:

- passing off registered trademarks, namely unauthorised use of trademarks identical or confusingly similar to the registered trademarks;
- selling goods using counterfeit registered trademarks; and
- illegally manufacturing the labels of others' registered trademarks or selling such illegally manufactured labels.

Criminal litigation is usually filed by procuratorates after the Public Security Bureau (PSB) (ie, the police) has completed the criminal investigations and handed over

the files and evidence to the procuratorates. The PSB may open criminal investigations on its own initiative or in response to complaints filed by the rights holders or after the cases have been handed over to them by the Market Regulation Administration. The rights holder may file a complaint to the local Administration for Market Regulation and/or PSB, requesting them to commence a criminal investigation. While criminal litigation is pending, the rights holders may consider filing an incidental civil litigation aimed at claiming damages.

Alternative dispute resolution

Mediation and arbitration

Trademark disputes can be resolved through mediation in civil litigation in China. The court may act as mediator or direct the parties to work with the court-designated external mediators or mediation centres. The Supreme Court has been urging the courts to rely on alternative dispute resolution mechanisms to deliver quality and efficiency in IP protection.

Arbitration serves to resolve civil trademark disputes, provided that the parties agree in writing to the arbitration.

Mediation and arbitration are generally not employed in trademark administrative and criminal litigations unless the rights holder files an incidental civil litigation in a combined criminal-civil proceeding and the parties choose to mediate a settlement agreement on the civil claims over damages.

Litigation venue and formats

The courts in China have four levels of hierarchy:

- Basic people's courts (ie, the people's courts at district or county level):
  - Such courts have no jurisdiction as first-instance courts over trademark-related litigation unless designated by the Supreme People's Court.
- Intermediate people's courts, including the specialised IP courts in Beijing, Shanghai and Guangzhou:
  - Each city has at least one Intermediate People's Court, which are first-instance courts over civil trademark litigations. Cases involving well-known trademark recognition can only be accepted by an Intermediate People's Court in the capital of a province or autonomous region, by the IP courts or courts otherwise designated by the Supreme People's Court.
  - The Beijing IP Court has exclusive jurisdiction over all first-instance administrative litigation on judicial review of decisions or rulings on official refusal, opposition, invalidation and non-use cancellation, among other things, rendered by the CNIPA and its judgments can be appealed to the Beijing High People's Court.
- High people's courts in each province and auton-



omous region which are directly governed municipalities (eg, Beijing, Shanghai, Tianjin and Chongqing):

- Such courts are the first-instance courts hearing civil cases with the claimed damages reaching the threshold set by the Supreme People's Court or having socio-legal impact on their jurisdiction. They also hear appeals of first-instance judgments of intermediate people's courts and retrials of cases heard by intermediate people's courts, either at first or second instance.

- The Supreme People's Court:
  - The Supreme People's Court rarely hears first-instance cases. It hears appeals of first-instance judgments by high people's courts and (most often) retrials of cases heard by high people's courts, either at first or second instance. The IP Tribunal of Supreme People's Court has exclusive jurisdiction over appeals from courts all over China regarding technology-related cases.

Some basic people's courts and intermediate people's courts have cross-region jurisdiction over IP-related cases according to the Supreme People's Court guidelines.

Forum shopping

Forum shopping is not available for administrative litigation.

Courts at the defendants' domicile, locations of occurrence of the infringing acts and/or where the infringing products are stored, seized or detained by administrative authorities (eg, the Market Regulation Administration, the Customs Office or the PSB) have territorial jurisdiction over infringement cases. Locations of occurrence of the trademark infringing acts are where infringing acts or the outcomes of infringing acts take place.

Specialised IP courts and IP tribunals have more expertise and experience in handling IP disputes. Courts in more economically developed provinces and areas (eg, Zhejiang and Jiangsu) are more pro-intellectual property and tend to grant higher damages. It is recommended that the plaintiff file the trademark litigation at the specialised IP courts or IP tribunals.

It is also an effective strategy to identify all the players involved in the trademark infringement (eg, the mastermind of the infringing acts, the owner or licensor of the infringing trademark, the manufacturer, the distributor, the warehouse landlord and the internet service provider (ISP)) and select the court most preferred by the plaintiff to file the litigation.

Internet courts in Beijing, Hangzhou and Guangzhou have jurisdiction over disputes arising from online infringement and transactions. Almost all proceedings (including filing complaints and evidence, service and even trials) at the internet courts are conducted online



for the convenience of all parties involved in the trials.

The Supreme Court's opinion is that only the courts at the defendants' domicile or the location of the server of the e-commerce trading platform (ie, the ISP) have jurisdiction over litigation against the internet-based trademark infringement.

Jury versus bench

In China, trademark litigations are usually heard by a collegiate bench of three (most frequently) or five members. At the trial court, the collegiate bench may comprise judges only, or judges together with one or two people's jurors. People's jurors are not included in a collegiate bench at the appellate courts.

Damages and remedies

Available remedies

The following remedies are available in trademark infringement litigation:

- injunction (both interim and permanent);
- damages (including punitive damages); and
- public apologies or declarations aimed at undoing the negative affect of the infringing acts.

Damages for trademark infringement are calculated with reference to one of the following factors:

- actual losses of the rights holder;
- profits of the infringer; or
- a reasonable multiple of the relevant trademark licence fees when it is difficult to determine the rights holder's losses or the infringer's profits.

The Supreme Court has directed the courts to use market value as a benchmark for determining damages in IP litigation and award punitive damages to ensure that the damages in total are commensurate with the market value of the IP rights in dispute. Repeat infringers are subject to the penalties of paying punitive damages.



In light of the present practice and trend for the courts to award substantial damages of millions of renminbi, the rights holder should consider adjusting its IP protection strategy and rely more on litigation to obtain stronger protection in China. Meanwhile, the legitimate brand owners should also be more cautious in trademark use in order to avoid trademark infringement suits and the ensuing large damages.

Injunctive relief

Injunctive relief can be an interim injunction or permanent injunction. Interim injunctions are difficult to

obtain. When granting an interim injunction, the court will consider the following factors:

- the plaintiff's likelihood of prevailing on the merits;
- a demonstration of irreparable injury to the plaintiff if relief is not granted;
- the threatened injury to the plaintiff is demonstrated to outweigh or equal whatever damages the proposed injunction may cause the defendant;
- the balance of interest and hardships between the plaintiff and defendant;
- whether the injunction may harm public interest; and
- whether the plaintiff has posted a bond.

Evidencing the case

Investigations and first steps

Investigations are necessary and can be vital for formulating a trademark litigation strategy and tactics, as well as building a stronger case against the defendants. Investigations are conducted for numerous reasons, including:

- collecting facts and evidence to support the litigation;
- spotting the strength and weakness of both the plaintiffs and defendants to help the right holders to build an adequate and stronger trademark portfolio; and
- formulating the trademark litigation strategy and tactics, including:
  - identifying the business pattern of the trademark infringers and all players involved in the infringement;
  - determining the defendants to be sued and the court where to file the litigation;
  - setting the objectives of the litigation;
  - taking precautionary steps before the litigation so as to anticipate and fend off the litigation-triggered counter-attacks from the defendants; and
  - adopting a well-balanced litigation strategy.

Legal counsels should always be closely involved throughout the investigations when working with internal investigators or external professional investigators by offering input into the investigation plan and overseeing investigations to ensure that evidence obtained complies with the rules of evidence in terms of subjectivity, legality and relevance. Relevant and particularly important and key evidence (eg, infringing goods, websites and transaction documents) must be notarised, as notarised evidence is viewed as having more probative strength than non-notarised evidence. It is important for legal counsel to review and ensure the legality of the evidence obtained during the investigations because evidence procured through dubious or illegal means, as trap orders or entrapment, may be excluded or result in compromising the litigation.

Survey evidence

Survey evidence is not mandatory. It is often challenged for being untruthful, unscientific biased and/or manipulative. In practice, survey evidence has been filed with the court in hard cases for reference purposes. The Supreme Court has accepted survey reports as evidence in retrial cases. The referential value of survey evidence for the judges to determine cases should not be ignored.

Use of expert witnesses

Expert witnesses are permitted in trademark litigation cases and are often engaged to provide expert opinions on difficult or controversial issues, especially in cases of first impression. Sometimes, courts may also host seminars or request experts to submit opinions for consideration. Economic experts can also be helpful in ascertaining payable damages. Expert opinions

may not be cited by the judges; however, the referential value for the judges to determine the cases should not be underestimated.

Available defences

The following defences can be raised when facing trademark infringement charges:

- no trademark infringement;
- no likelihood of confusion because there are no similarities in terms of trademarks *per se* or the goods and/or services;
- the plaintiff's trademark is invalid or to be declared invalid due to its non-compliance with the Trademark Law;
- legitimate use;
- fair use;
- prior trademark use;
- legitimate product source and no knowledge of trademark infringement;
- prior rights use (eg, use of prior trade names, copyrights or design rights);
- authorised or licensed use;
- exhaustion of trademark rights;
- laches and/or loss of statutory limitations;
- no infringement in original equipment manufacturer (OEM) cases where all the OEM products are exported only to a foreign country or region and the mark used on the goods is owned or duly registered by the party, which has ordered the OEM products, in the destined country or region;
- safe harbour for ISPs;
- lack of standing to sue or be sued;
- lack of jurisdiction; and
- unclean hands and/or abuse of rights.

In retrials as guiding cases, the Supreme Court has dismissed trademark infringement lawsuits on the grounds that the cited trademarks were registered by the plaintiff in bad faith and trademark infringement litigations were filed in bad faith against legitimate trademark users, meaning that such litigations are an abuse of rights.

Appeals process

A domestic party may file an appeal within 15 days of receipt of a first-instance judgment, while a foreign party may file an appeal within 30 days. Parties may still file new and supplementary supplement evidence to the appellate court.

The appellate court will review both factual and legal issues. It usually takes six to eight months for the appellate court to render its judgment, which is then final and effective.

The plaintiffs or defendants may apply for a re-trial of effective judgments within six months of the effective date. The upper courts will review and decide whether to accept the re-trial applications. For a re-trial application to be accepted, it usually requires new and substantial evidence that could overturn the effective judgment or clear mistakes in procedural issues, factual findings or application of law.

In rare circumstances, the people's procuratorates have powers to supervise adjudication of civil cases and may do so *ex officio* or by request.

Any party can appeal before a higher-level court if dissatisfied with a trial court judgment or certain other decisions such as the court's refusal to accept the case, a rejection of a trademark filing or an objection to jurisdiction. The time limit for appealing a trial court judgment is 15 days for a domestic party or 30 days for a foreign party. Other trial court decisions must be appealed within 10 days for a domestic party or 30 days for a foreign party.

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