

A REPORT FROM INTA



# China Case Law Annual Review

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Hardly a day goes by without a new piece of intellectual property (IP) legislation coming into effect or a high-profile case with mind-blowing damages awarded. The ever-evolving landscape of China's IP system touches the professional lives of practitioners and brand owners in China and globally.

The **China Case Law Update—Know Before You Go: Green Shoots in China IP** will take a bird's-eye view of the milestone cases—ranging from prosecution to litigation and cross-cutting bad-faith filing of trademarks and imposed sanctions and injunctive relief—and will provide insider analysis of the impact on the pace and shape of trademark rights protection in China.

To raise awareness of the IP environment in China and to provide knowledge and insight on Chinese trademark law and practice, the China Case Law Project Team of International Trademark Association (INTA) spearheaded a new editorial project, capturing the main IP happenings in the past few years and highlighting interesting trademark case trends that affect companies of all sizes from all industry sectors in and outside of China.

This project—including this Review—would not have been possible without the dedication and hard work of the founding members of the China Case Law Project Team, and we thank them for their tireless efforts.

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We also would like to thank the other INTA members who participated in this undertaking, and whose contributions are reflected in this Review.

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In line with INTA’s strategic direction to promote and reinforce the value of brands, and considering the increasingly important role China plays in the worldwide IP ecosystem, INTA has been developing content and programming to update our global community on the ever-evolving landscape of the IP policy regime and case law and practice in China with our China Case Law Update, first launched in 2021 at the Annual Meeting. Against this backdrop, the Association’s China Case Law Update Project team was created and tasked with providing insider analysis on trendsetting decisions rendered by the China courts and administrative authorities, with a view to helping international companies better navigate the China trademark law system to minimize their IP risks.

This Review consummates the China Case Law Update programs at the Annual Meeting with in-depth analysis of case developments and beyond; latest policy and legislative changes will be provided and updated on an annual basis. This Review covers the now-familiar issues of “absolute” trademark issues including validity, distinctiveness, and descriptiveness; “relative” grounds, including similarity and confusion; co-existence agreements; right of publicity; merchandising rights; etc. This Review also delves into topics such as infringement; defenses and limitations; pivoting use in commerce (particularly in the circumstances of Original Equipment Manufacturing (OEM)); punitive damages; and some notable cases illustrating changes in practice and procedure, such as private prosecution. In summing up trademark developments of past few years, it would be fair to say that the continuing relevance of bad faith filing of trademarks is crosscutting the entire structure of trademark protection in China.

One specific change is worthy of calling out in this Introduction—a material development is one brought about in procedure. To enable the Supreme People’s Court of China (SPC) to concentrate on the cases that required its “full attention” in unifying adjudication criteria across the board, in October 2021, amendments were made as a two-year pilot program as mandated by the Standing Committee of National People’s Congress and resulting *Implementation Measures on Improving the Levels and Functions of the Four-Tier Courts* led by the SPC. This change provided that any appeal brought against judicial reviews concerning a decision of the China National Intellectual Property Administration (CNIPA) would be allowed to proceed to the SPC only where there is an error in the application of law and there are unresolved major differences in similar cases in the past three years, or cases of guiding significance justify the intervention of the SPC. The result of this change has been a very dramatic reduction in trademark cases heard by the SPC. It remains to be seen how the Beijing High People’s Court will be remanding its own decisions through retrials and for this reason the significant analysis of procedures is not fully explored in this Review.



# China Case Law Annual Review

## I. ABSOLUTE GROUNDS FOR REFUSAL OF REGISTRATION, AND FOR CANCELLATION

### 1. Introductory Comments

Absolute grounds relate to the inherent characteristics of the trademark, its registrability, distinctiveness, and scope to the extent of what is referred to as the “the essential functions” of trademarks, i.e., to identify the exclusive origin of the goods or services for which registration is sought. Grounds for refusal of registration on the basis of absolute grounds may also form the basis for a later claim of invalidation, so cases in this section often deal with analysis of both pre- and post-registration issues.

The absolute grounds for refusal and cancellation in China’s Trademark Law mainly include:

- Registrability (Article 10)
- Distinctiveness (Article 11)
- Warehousing without intent to use (Article 4)
- Deceptive and other improper means (Article 44.1)
- Eligibility of signs (Article 8)

There have been three important trends in trademark substantive examination on absolute grounds over the past three years:

#### **Stricter Examination on the Registrability Article and the Distinctiveness Article, and the Extended Application of Article 4**

In the past three years, as the issue of excessive total trademark filings and registrations in China has become prominent, CNIPA has clearly entered the stage of squeezing the bubble in all aspects, such as restricting the number of abnormal trademark applications, significantly intensifying the crackdown on trademark warehousing and bad faith registrations and applying a stricter approach in examining registrability and distinctiveness.

Many brand owners have found that trademarks that were previously registered are now rejected on the grounds that they are not registrable (*Mi Guo Case*<sup>1</sup>) or lack distinctiveness. Moreover, the new stricter standards not only increase the risk of rejection for trademarks at the examination stage, but they also place trademarks that have been registered for years at risk of being invalidated, especially if they have not actually been used.

Compared to the above issues of registrability and distinctiveness, rights holders in the near term should pay even closer attention to the expansion in the application of Article 4.

More and more companies, due to the high cumulative number of historical registrations and the high number of applications in the current year, have received a CNIPA notice based on Article 4. For the following reasons, applicants should pay special attention if receiving such notices and need to make great efforts to avoid refusal by CNIPA based on Article 4:

(1) Article 4 states that “[a]ny bad faith application for the registration of a trademark that is not intended for use shall be rejected,” so a refusal based on Article 4 would mean that the applicant will have a record of “bad faith registration” in China. This will

<sup>1</sup> Li Yun v. CNIPA, Beijing High People’s Court, (2021) Jing Xing Zhong No. 9121.

have an adverse effect on the goodwill of the company and future trademark filings.

(2) When CNIPA issues a notice based on Article 4 in a trademark application, it lists all trademarks applied for by the applicant in recent months and requires clarification of each one. Usually dozens, or even hundreds, of applications are involved. Until the applicant responds and CNIPA makes a ruling, the examination of all of the applicant's trademark applications might be suspended and delayed, which may disrupt the applicant's business and trademark use plans.

(3) According to the requirements of CNIPA, the applicant must explain whether each of the trademarks on the list is "in actual use," "with intent to use" or "a reasonable defensive registration." The applicant must collect and organize evidence and elaborate each trademark, which involves significant time and effort.

At the time of writing, the total number of Article 4 notices already issued, and the total number of applications involved, have not been disclosed. However, thousands of refusal review rulings based on Article 4 have been published on the official website, and the total success rate is less than 10 percent. The applicants must, therefore, pay special attention to this notice and make their best efforts to convince the examiner at the trademark office stage to avoid the application of Article 4.

However, given the extended application of Article 4 since the second half of 2022, not many typical cases have entered into the court stage yet. Instead of studying a specific case, we conducted research on the published decisions of 2512 review of refusal cases involving Article 4 (*SEMK* and other cases), trying to find the best practice for dealing with such Article 4 notices.

### **Using Absolute Grounds to Combat Malicious Squatting of Others' Prior Rights—Good Practice Against Bad Faith Filing Continues**

It is not all bad news when it comes to trends regarding absolute grounds.

In terms of combating bad faith registrations, because the Trademark Law stipulates that the time limit for claiming prior rights is five years, the prior right holder in many cases loses the opportunity to win the case because the trademark in dispute has been registered for more than five years even though bad faith is obvious.

In some previous cases, upon consideration of public/social influence, CNIPA and courts have used "misleading deception" (Article 10.1.7) or "other improper measures" (Article 44.1) as absolute grounds to protect some names/marks with high reputation in China when they have been preemptively registered in bad faith for more than five years. In several recent CNIPA cases, we have noticed that this good practice has continued (*Bruce Lee case*<sup>2</sup>, *Youtube case*<sup>3</sup>, *Bentley case*<sup>4</sup>, see below).

### **Expansion of Scope of Eligible Signs**

In the past few years, Chinese courts have been more open and flexible than CNIPA about the eligible signs that can be protected as trademarks (*Red Sole case*<sup>5</sup>), and the newly released Draft of the Fifth Amendment to the Trademark Law supports the court's position of liberalizing the signs eligible of becoming registered trademarks in China.

## **2. Cases**

### **1) The “米国 (Mi Guo)” Case—Changes in Finding “Negative Social Influence” under Article 10.1.8**

#### **Case Facts**

Mr. Li filed an application on May 13, 2020, for the trademark “米国 (Mi Guo)” in Class 43 under Application No. 46280884, for services such as cafés, restaurants, bar services, animal boarding, etc.

<sup>2</sup> Bruce Lee Cultural Information Consulting (Shanghai) Co., Ltd. v. Guangzhou Real Kungfu Catering Management Co., Ltd., CNIPA (2022) Shang Ping Zi No. 0000302576.

<sup>3</sup> Google v. Shenzhen Heixiu Tech Co. Ltd., CNIPA, (2022) Shang Ping Zi No. 0000287052.

<sup>4</sup> Dongfangmingri (Jinjiang) I&E Co. Ltd. v. CNIPA, Beijing High People's Court, (2022) Jing Xing Zhong, No. 1002.

<sup>5</sup> Christian Louboutin v. CNIPA, Supreme People's Court, (2019) Zui Gao Fa Xing Shen No. 5416.

The Chinese version of “Mi Guo,” “**米国**”, has been used by some people on the Internet to refer to the United States (pronounced “Mee Guo” in Chinese) as a kind of “netspeak.”

The application was rejected by CNIPA at the examination stage and in the subsequent refusal review, on the ground that “**米国 (Mi Guo)**” **is easily suggestive of the name of the United States** and therefore has negative social influence when being used as a trademark, violating article 10.1.8 of the Trademark Law. The applicant hence filed an administrative lawsuit.

In fact, Mr. Li had already applied for a trademark for “Mi Guo Restaurant” under Reg. No. 16338584 on February 9, 2015. The prior trademark was approved for registration on September 14, 2016, and has been put into actual use. In the lawsuit, Mr. Li submitted evidence such as the development history of the restaurants, signboards, interior ornaments, customer reviews, media promotions, and samples of the operating revenue of each “Mi Guo” restaurant.

### **Court Judgements**

The court of first instance held that the disputed trademark is “**米国 (Mi Guo)**,” which generally refers to the United States. The conclusion was that the use of the disputed trademark on the designated service will easily make the relevant public associate the service with a specific country and may produce negative social influence. The disputed trademark constitutes the situation stipulated in Article 10.1.8 of the Trademark Law and should not be registered. The court found that the evidence provided by the plaintiff was not sufficient to prove that his prior registered trademark had earned a high reputation through commercial use and its commercial reputation had extended to the disputed trademark, so the court did not support the relevant arguments of the plaintiff.

The court of second instance held that “negative social influence” should be evaluated based on the state of fact at the moment when the disputed trademark was filed. If such state has changed, the court should jump forward to the time when the disputed trademark is to be registered, to determine whether it has “negative social influence.” The disputed trademark in this case, “**米国 (Mi Guo)**”, can refer to the United States in certain instances. Therefore, if the disputed trademark is used in respect of the designated services, the relevant public will easily associate such services with the specific country, from which negative social influence may ensue. Although other similar trademarks have been previously approved for registration, we need to move with the times when we evaluate whether there is negative social influence. Thus, the approval of registration of other trademarks does not indicate that a new application for the same trademark necessarily meets the registration conditions, nor is the court bound to grant registration for the disputed trademark.

### **Comments: What has really changed? Perception among the general public or criteria adopted by adjudicators?**

According to searches, trademark applications for “**米国 (Mi Guo)**” or “**米国 (Mi Guo)** + other terms” have been filed by different applicants since 1994. The earliest trademark, “**米国 (Mi Guo) Koma-chi**,” has a distinct Japanese style, which corresponds with the origin of the term “**米国 (Mi Guo)**,” a Japanese translation of the United States.

From 2005 to 2013, trademark applications such as “Mi Guo Yanks,” “Mi Guo Yorker USK,” and “Mi Guo Seattle XYZ” began to appear. It seems that the Chinese public had begun to associate “Mi Guo” with the United States since then.

Nevertheless, when Mr. Li applied for the trademark No. 16338584 for “Mi Guo” in 2015, the Trademark Office still approved its registration.

On the other hand, there are still cases where trademarks for “Mi Guo + other terms” were approved for registration even in recent years. Nevertheless, the numbers have been decreasing and no trademark for standalone “Mi Guo” has been approved for registration since 2017.

Mr. Li was able to successfully register the trademark “Mi Guo Restaurant” in the past, but his present application for “**米国 (Mi Guo)**” for essentially the same services has been rejected. Based on the above analysis, the real reason seems to be the tightening of the criteria adopted by adjudicators, rather than the change in the general public’s perception over time as stated by the court of second instance. Moreover, the courts did not require the CNIPA to prove the general public’s understanding about the term, so such an allegation lacks evidential support.



What is more, compared with the 2016 Review and Adjudication Standards, the 2022 Trademark Review and Adjudication Guidelines widen the scope of “negative social influence” to include a variety of new taboo terms such as “names of important theories, policies or conventions of the CCP or the PRC,” “names of new economic zones or major “industry development zones,” “words associated with public emergencies,” “names of major national projects,” and “names of martyrs.” Negative expressions like “desperate” or “hopeless” or Internet buzzwords like “overtime dog” that had previously been approved for registration without any issue are now frequently rejected due to a finding of “negative social influence.” The trend in tightening the criteria of trademark examination under absolute grounds is evident from these examples.

## 2) Bruce Lee Case—Protecting the Right of Publicity/Merchandising Rights of a Deceased Well-Known Individual Based on Article 10.1.7



### Case Facts

Because he was the well-established king of Kung Fu, Bruce Lee’s name and image are recognized in China and worldwide. However, the name and image were not used or registered as trademarks in China during his lifetime or for many years after his death.

Lee’s daughter and her company (Bruce Lee Enterprises, LLC), after inheriting the right to commercialize Bruce Lee’s name and image, have been filing trademark applications for Bruce Lee’s Chinese and English names in China since 2001. In 2010, they received a written reply from the Trademark Office stating, “the commercialization rights of ‘李小龙’ and his English name ‘Bruce Lee’ should belong to his heirs.”

Since 2004, 真功夫 (“Real Kungfu”), a Chinese fast-food chain, has registered in China a large number of “Kungfu” word marks as well as device marks that resemble the image of Bruce Lee and achieved great commercial success in the following decade. According to the 2017 and 2018 Annual Report on China’s Catering Industry, Real Kungfu had the highest annual turnover in both years. By the end of 2019, Real Kungfu had opened more than 600 chain restaurants across the country, covering 57 cities. The brand and image of Real Kungfu have gained a very high reputation in China.



In 2019, Bruce Lee Enterprises sued Real Kungfu in the Second Intermediate People’s Court in Shanghai, arguing that Real Kungfu’s use of Bruce Lee’s image damaged Bruce Lee’s “general personality rights” protected by the Civil Code of PRC, and claimed RMB 210 million (around US \$30 million, still pending at first instance).

In 2021, Bruce Lee Enterprises consecutively filed invalidation actions against 33 trademarks owned by Real Kungfu bearing Bruce Lee's image on grounds including "misleading deception" (Article 10.1.7) and "negative social influence" (Article 10.1.8).

### **CNIPA Decision**

After August 2022, rulings were received one after the other, with essentially the same result—the decisions granted protection to Bruce Lee's name and image under Article 10.1.7, with the wording:

Bruce Lee is a grandmaster of martial arts, the first global promoter of Chinese kung fu, the first Chinese protagonist in Hollywood, and publicly known as the king of kung fu. Before the filing date of the disputed trademark, Bruce Lee was already a *household name* in Mainland China, with extremely high popularity and far-reaching influence. The disputed trademark is *almost identical* to Bruce Lee's portrait and signature poses, and its use as a trademark in the designated services is likely to cause consumers to misidentify the source of the services and other characteristics, which constitutes the situation described in Article 10.1.7 of the Trademark Law. (Emphasis added)

### **Comments: The Challenge of Picking the Right Article from the Toolbox**

When Bruce Lee's daughter came to defend prior rights, the five-year period to file invalidation based on relative grounds had already elapsed. Hence, according to Chinese Trademark Law, the "prior rights" in Article 32 are no longer applicable, unless the earlier logo constituted a well-known trademark, and the other party was malicious. In this case, Real Kungfu's intention to borrow/copy is obvious, but Bruce Lee's classic image has not been used or promoted as a trademark in China before, so the claim of being a well-known trademark is not established, and Article 13 does not apply.

In this case, through the application of Article 10.1.7, CNIPA effectively broke through the five-year limitation of relative grounds, cracked down on bad faith registrants, and protected legitimate prior rights.

We believe there are two key reasons that account for this success:

- (1) Bruce Lee and his image are very well-known in China, constituting a "household name"
- (2) The disputed trademark is substantially similar to the image of Bruce Lee, and bad faith is very obvious

Important discovery: On March 1, 2004, Real Kungfu's affiliate company entrusted a design company to complete its brand image design. In May of that year, the Guangdong Provincial Copyright Bureau issued a copyright registration certificate stating: "Real Kungfu logo" is a Bruce Lee Kung Fu pose, in which Bruce Lee has his arms stretched out, raised high, and his eyes gazing sideways," so the borrowing/copying is self-confessed.

### **3) The YouTube Case—Protection Through the Article 10.1.7 and Article 44.1of Website Names That Are Not Used in China but are Known to the Chinese Public**

#### **Case Facts**

YouTube is an internationally popular video-sharing website owned by Google. As of 2022, the total number of active YouTube users worldwide is conservatively estimated to be about 2.5 billion.

Due to legal restrictions and for compliance reasons, YouTube has not yet obtained official permission to operate in mainland China.

On October 12, 2018, Shenzhen Heixiu Technology Co., Ltd. filed trademark application No. 34005950 for "YouTube," designating "*apparatus and instruments for radioisotope therapy; Feeding bottles; Condoms; Sex toys, etc.*" in class 10.

The application was preliminarily published in the Chinese Trademark Gazette on September 20, 2019, and Google raised an opposition against it mainly based on Articles 13, 32, 10.1.8, and 44.1 of the Trademark Law of P.R.C. The CNIPA ruled that the opposition was not supported, and the trademark was approved for registration.

On November 9, 2021, Google initiated an invalidation action against the registration based on Articles 13, 32, [10.1.7](#), 10.1.8, and 44.1 of the Trademark Law of P.R.C.

### **CNIPA Decision**

On August 31, 2022, the CNIPA made the decision to invalidate the disputed trademark based on the Articles 10.1.7 and 44.1 of the Trademark Law of China, holding that:

According to the evidence as filed by the applicant (Google), “YouTube” is a famous video-sharing website operated by the applicant. It has become known to the relevant public in China through media publicity. Since the disputed trademark is exactly the same as the name of the website, the use of the disputed mark on the designated goods in class 10 will easily cause misrecognition to the relevant public regarding the source of goods. Therefore, the registration of the disputed mark has constituted the situation referred to in the Article 10.1.7 of the Trademark Law of China.

### **Comments: Choice of Articles and the Meaning of “Misleading Deception”**

In the initial opposition, the basis clauses raised by Google include Articles 13, 32, 10.1.8, and 44.1. The difficulty in applying the relative clauses, in particular Article 13 (well-known trademark), is that due to legal restrictions, Google’s YouTube has not yet obtained official permission to operate in mainland China. Therefore, although YouTube enjoys worldwide popularity and has become known by the relevant public in China in the Internet era (and can be used via VPN or other technical methods), under the current context of the tightened determination of well-known trademarks in administrative cases, it is obviously even harder for YouTube to be determined to be a well-known trademark merely on the basis of brand awareness and popularity gained through operation without official permission in China.

Google claimed protection under Article 44.1, but it was not upheld in the opposition procedure.

In the invalidation procedure, the CNIPA protected the rights and interests of Google from the standpoint of protecting public interests through the combined application of Articles 10.1.7 and 44.1 (*focusing more on 10.1.7*). These were the key points:

- The maliciousness of the adverse party in registering the mark “YouTube” is blatant.
- Though YouTube is not officially available to the public in Mainland China yet, it has become known to the Chinese public through the globalization of the Internet.
- In light of the above, the use of the disputed trademark may cause misleading deception to the public concerning the source of goods.

In practice, some people may think that quite a few substantive clauses in the current Chinese Trademark Law convey and imply the rationale of avoiding confusion and misleading of the public, such as the protection of well-known trademarks under Article 13, the protection of prior same/similar trademarks under Article 30, the protection of unregistered trademarks with prior use and fame under Article 32, as well as the protection of exclusive use of trademark registrations under Article 56, etc. However, it is interesting and worth noting that Article 10.1.7 is the only provision where “misleading” is explicitly mentioned in the full text of the Trademark Law of the P.R.C. Moreover, such a concise absolute clause plays an increasingly remarkable role in trademark examination and adjudication practice, and its use has taken the spotlight under the trend of tightened examination criteria and the expanded application of absolute grounds. In particular:

- At the substantive examination stage, the authority frequently uses Article 10.1.7 to refuse marks thought to be inappropriate to be used and protected from a trademark perspec-




tive (especially for those marks of inherent distinctiveness but not obviously violating other prohibited-to-use-and-register stipulations nor reaching the degree of “negative social influence” as stipulated in the Article 10.1.8).

- In opposition/invalidation cases, when allegations based on relative clauses are difficult to establish, while other absolute clauses like Articles 4 and 44.1 are also too farfetched to be applicable, Article 10.1.7 could be employed as a pocket provision/gripper to allow the authority to crack down on bad faith registrations.

#### 4) The *Bentley Case* – Fighting Against the Squatting of Others’ Trademarks in Large Numbers Based on Article 44.1



##### Case Facts

The applicant, BENTLEY MOTORS LIMITED, is a worldwide famous automobile company. “BENTLEY,” “Bentley in Chinese-宾利,” and “” are the applicant’s trademarks, and enjoy a high level of fame across the world, including in China.

The applicant has valid trademark registrations for the goods or services in Classes 12, 14, 16, 18, 35, and 37, etc., in China.

Since 2010, Dongfang Mingri (Jinjiang) Import and Export Co., Ltd. (“Dongfang Mingri”) has applied for dozens of trademarks that completely contain the applicant’s trademarks—“BENTLEY,” “Bentley in Chinese-宾利,” or “B and wing graphics”—in China. The applicant has been attacking Dongfang Mingri’s trademarks through oppositions, invalidations, and non-use cancellations.

Dongfang Mingri has applied for more than 200 trademarks, including the applicant’s trademarks and the other entities’ famous trademarks, for the goods or services in various Classes in China.

The local Market Regulation Administration and courts have determined several times that the behavior of Dongfang Mingri and its affiliates have constituted false advertising when claiming that its Bentley series wines originate from top wineries in France and “PENFOLDS/奔富” wines originate from the most famous and largest wineries in Australia.

In 2018, the applicant filed an invalidation against Dongfang Mingri’s registration of “宾利凯乐庄园” (completely includes the applicant’s Chinese trademark “Bentley in Chinese-宾利” under No.25872107 (“the disputed trademark”) in Class 33. The legal basis includes Articles 7, 10.1.7, 10.1.8, 13 (2), 30, and 44.1 of the Chinese Trademark Law.

##### Court Judgements

The first instance judgment issued in 2021 and the second instance judgment issued in 2022 both determined that the disputed mark should be invalidated according to Article 44.1.

The registrant of the disputed trademark and its affiliates have applied for more than 200 trademarks, including “B & Device,” “BENTLEY,” “Bentley in Chinese-宾利,” “Penfold,” and many other trademarks that are identical or similar to other entities’ famous trademarks, in many classes. Dongfang Mingri did not give reasonable explanations on the origins of design of the above trademarks, and the evidence submitted failed to prove that it has used or has a true intention to use the disputed trademark. The applications for the registration of these trademarks by Dongfang Mingri have obviously exceeded the normal needs of production and operation, disturbed the order of trademark

registration administration, improperly occupied public resources, and damaged public interests. The application of the disputed trademark has constituted the situation of “obtaining registration by other improper means” as stipulated in Article 44.1 of the Chinese Trademark Law.

## Comments:

### (1) The Choice of Articles

The applicant has no prior trademark application or registration for the same or similar goods in Class 33, so Article 30 is not applicable to this case.

According to the evidence provided by the applicant in this case, it is difficult to determine that its trademark has been widely known to the relevant public in China. In addition, the goods “wine, etc.” designated by the disputed mark are quite different from the applicant’s famous vehicle goods. As a result, the applicant’s claim that the registration and use of the disputed trademark damages the rights and interests of its well-known trademark lacks factual basis. It does not belong to the situation stipulated in Article 13 of the Trademark Law.

With the application of Article 44.1, this case has effectively cracked down on the squatting of others’ trademarks in large numbers and protected the legitimate rights and interests of the real owner. The application of Article 44.1 in this case is mainly based on the following facts:

- a. The number of trademarks filed by the registrant is relatively large, including several famous marks of different entities.
- b. The trademarks squatted by the registrant have a high level of fame.
- c. The registrant displayed obvious bad faith in its advertising activities where it attempted to take advantage of others’ trademark reputation to further its own interests.

### (2) The Trend in Similar Cases

According to recent decisions or judgments issued by the CNIPA or courts for similar cases, the number of trademarks filed by the squatters is not the decisive factor in the determination of “obtaining registration by other improper means” as stipulated in Article 44.1. In some cases, the squatters that have filed dozens of, or just over ten trademarks, but have demonstrated obvious bad faith, are also identified as falling under the situation stipulated in Article 44.1.

Article 44.1 is effective for fighting against the squatting of a given entity’s numerous trademarks on dissimilar goods or services when the trademarks involved are of certain fame but do not yet qualify as well-known marks in China.

### 5) The *Red Sole* Case—Single-Color Position Marks Are Not Excluded from Being Registrable as Trademarks



#### Case Facts

The famous French designer Christian Louboutin founded his eponymous luxury brand, Christian

Louboutin, in 1992. The brand became popular all over the world for its special design of red-soled high heels. The red soles are the most recognizable element of the brand and are sought after by numerous celebrities.

In 2010, Christian Louboutin applied for the territorial extension of protection to China of International Registration No.1031242 for its Red Sole mark (Pantone color code 18.1663TP). The CNIPA rejected its application for extension of protection to China on the grounds that the mark lacked distinctiveness, based on Article 11(1)(c) of the Trademark Law. The CNIPA held that the applied-for mark consisted of the usual graphic representation of a high heel and a single color designated for the sole of the shoe.

Christian Louboutin then filed an administrative lawsuit with the Beijing Intellectual Property Court, arguing that its trademark consisted of a red sole and that the shape of the high heel was not part of the trademark and was only used to indicate the position of the trademark. It maintained that its trademark is a position trademark and is distinctive, and thus requested that the decision of the CNIPA be overturned.

### **Court Judgements**

In 2017, the Beijing Intellectual Property Court made a judgment after hearing the case, reversing the decision of the CNIPA and holding that the trademark at issue was a three-dimensional mark and that the CNIPA had erred in finding that the trademark at issue was a graphic trademark.

Both the CNIPA and Christian Louboutin appealed. The CNIPA argued that the mark was a graphic trademark while Christian Louboutin argued that their trademark constituted “other types of marks not expressly listed in the Trademark Law,” rather than a three-dimensional mark.

In 2018, the Beijing High People’s Court made the judgment that the applied-for mark consisted of the color red with designated position of use and was a single-color position mark. The decision under appeal failed to accurately define the trademark and its constituent elements and shall be revoked. Although the same error was made in the first instance judgment, the conclusion of the decision to cancel the CNIPA’s decision was correct. Therefore, the first instance judgment was upheld based on the correction of the relevant errors.

The CNIPA applied to the SPC for a retrial, claiming that “a single-color mark in a designated position” did not comply with the provisions of Article 8 of the Trademark Law.

In 2019, the SPC ruled that although the constituent elements of the applied-for mark did not belong to the elements explicitly listed in Article 8 of the Trademark Law, they were not explicitly excluded from the marks that could be registered as trademarks; the CNIPA’s view that they did not belong to the types of trademarks protected by Article 8 of the Trademark Law, therefore, had no legal basis and was not supported.

### **Comments**

Article 8 of the Trademark Law provides that “any sign that can distinguish the goods of a natural person, legal person or other organization from those of others, including words, graphics, letters, numbers, three-dimensional signs, color combinations and sounds, etc., as well as combinations of the above elements, may be applied for registration as a trademark.” The focus of this case is on the interpretation of the word “etc.” in this provision, i.e., whether the constituent elements of a registrable mark include only those elements listed in Article 8, and not any others. On this issue, it is clear from the decision of the *Red Sole* case that the Chinese courts have taken a more open and flexible approach to deciding which elements can be protected as trademarks in comparison to the CNIPA, holding that single-color position marks are not excluded from being registrable as trademarks. Namely, the registrable marks and their constituent elements listed in Article 8 do not constitute a limitation on the types of trademarks that can be registered.



The section detailing examination guidelines for color combination trademarks in the Trademark Examination Guidelines issued by the CNIPA in 2021 specifically mention that “at present, China only accepts color combinations as qualified marks for trademark applications, but not single-color marks.” Therefore, at this stage, it is still difficult to register a single-color trademark in China.

However, on January 13, 2023, the CNIPA published the Draft Revision of the Trademark Law (Draft for Public Comments), in which “or other elements” were explicitly included in the composition of registrable marks. Therefore, it is foreseeable that the examination of whether signs composed of various special elements can be registered as trademarks in China will become more and more lenient.

## **6) SEMK and Other Cases—A Collective Study of 2512 Published Trademark Refusal Review Decisions Based on Article 4**

As of March 2023, a total of 2512 trademark refusal review decisions based on Article 4 have been issued and published by CNIPA. Among these, only 234 review applications received complete success and avoided the application of Article 4, bringing the success rate to less than 10 percent.

There are 96 entities involved in the 2512 cases, while the total number of cases involving the top five entities exceeds 2000.

SEMK, with the highest caseload among the top five filed 835 refusal reviews, however, was only successful in one case. GEELY filed 152 refusal reviews and received relatively positive results (with around a 50% success rate). In almost all the successful cases, applicants provided evidence of actual use.

### **A Brief Analysis of the Evidence and Arguments in the 234 Successful Cases:**

#### **1) In Actual Use:**

The requirements for evidence in actual use are generally lower than that in non-use cancellation cases; and the most frequent evidence types are:

- Product pictures in sales (either online or offline sales);
- Evidence of advertising;
- Generally, not required to use in all subclasses covered by the trademark application.

#### **2) Intent to Use:**

The most frequent evidence types include:

- Completed drawings of product design;
- Trademark license agreements, including the scope of licensed goods/services, licensed brand/trademark information, without the need for the licensee to provide evidence of use;
- Industry characteristics, company size and industry ranking. For example, the game industry and the audio book industry have more accessories, with business needs to file trademark applications in other related classes. Also, for example, if applicant is a large company with high industry ranking, such arguments may be recognized.

#### **3) Reasonable Defensive Filings:**

- **Defensive filings of well-known trademarks on dissimilar goods/services require evidence of trademark reputation:** Preferred evidence includes historical recognition as a well-known trademark, rulings determining the trademark’s possession of a certain degree of popularity, a record of being maliciously squatted, brand ranking, etc
- **Defensive filings of similar marks on similar goods/services require enforcement records:** Preferred evidence includes records of trademark enforcement and squatting, pro-

tection of similar marks in the main business scope (For instance, “Huang Kee Huang” submitted a record of protection of similar trademarks, so the trademark “Huang Kee Huang” and other trademarks that it applied for in its main business scope—“restaurants” and other services and “condiments” and other goods—were approved for registration despite its textual similarity to the trademark “Hong Ji Huang” and other trademarks).

### **A Brief Analysis on the Evidence and Arguments in the 2200+ Lost Cases:**

- 1) For companies with overly high trademark portfolios (cumulative trademark filings of 5000+, annual trademark filings of 2000+), even those with high industry ranking as well as high industrial internal demands for trademarks, the requirements for all three types of evidence will become stricter. For example:

**GEELY** (cumulative trademark filings: 10000+, annual trademark filings in 2020 & 2021: 2000+ per year): In the refusal review cases, the standards for evidence in demonstrating actual use are almost identical to that in non-use cancellation cases (some trademarks received partial refusal, i.e., the specific trademark can only be granted for registration in respect of the specific goods/services that are in actual use).

**SEMK** (cumulative trademark filings: around 5000, annual trademark filings in 2021: 2000+): Even though the applicant operates in the IP character licensing industry with very high demand for trademarks, and provided trademark license agreements and other relevant evidence, all trademark applications that went beyond the scope of the license agreements were refused.

**Youzhujun** (cumulative trademark filings: 5000+, annual trademark filings in 2021: 2000+): The applicant is an affiliated company of the well-known tech enterprise “ByteDance.” In respect of defensive filings, the standards in evidence of trademark popularity are relatively high. Only the “Gua Gua Long” (“瓜瓜龙”) serial trademark applications, which have high reputation in the education industry, were granted registration. Other trademark applications were refused.

- 2) Filing multiple trademark applications that are identical to the names of places or scenic locations with a certain degree of popularity (e.g., “Beixin Building Materials” (“北新建材”), one of the global Top 500 companies and a listed company of central-government-owned enterprises, with around 1,300 cumulative trademark filings and a maximum annual trademark filing of less than 250).
- 3) If other trademarks under the applicant’s name suggest malicious intentions of copying and bad faith, the standards in non-use cancellation actions will be adopted to require the applicant to provide evidence of actual use. If the complete evidence chain cannot be established, such trademark will not be recognized as “having at least the intent to use.”

### **Recommendations on Responding to an Article 4 Notice**

It is recommended to deal with an Article 4 Notice carefully and to exercise best efforts to convince the examiner at the examination stage. It should be noted that unless the evidence of use/evidence of intention to use is not formed until the review stage, it is not a wise move to rely on the refusal review proceedings, either from the perspective of success rate or cost.

Review and group all the trademark applications into three types, i.e., “in actual use,” “intent to use,” and “reasonable defensive filings,” then collect and organize evidence and file response and arguments.

For companies with high historical cumulative trademark filings, please pay attention: Do not allow the total number of trademark filings in the current year to get too high, and do not file a large number of trademark applications in a short period of time.

## II. CONFLICT WITH EARLIER RIGHTS—RELATIVE GROUNDS FOR REFUSAL OF REGISTRATION

### 1. Introductory Comments

This chapter discusses legal grounds for refusal of registration (and also cancellation through opposition and invalidation) based on conflicts with specific prior rights. The specific clauses relating to relative grounds in the PRC Trademark Law are:

- Article 13 Well-known trademark protection;
- Article 15 Trademark hijacking due to agent/representative or principal relationship, or contractual or business relationship;
- Article 16 Geographical Indications (GI);
- Article 30 Protection of a prior registered or published trademark;
- Article 31 Protection of a trademark application with a prior filing date, first-to-file principle; and
- Article 32 Protection of other's prior rights and unregistered trademark rights.

Unlike in certain other major jurisdictions<sup>6</sup>, the CNIPA does conduct a prior rights check in the course of its examination of trademark applications. If it considers that the trademark application is confusingly similar to another entity's prior trademark registration or application, it will issue a refusal decision (mainly based on Article 30). Apart from such prior trademark rights check, the CNIPA generally does not take the initiative to examine relative grounds based on other prior rights (e.g., copyright, name rights, unregistered rights, etc.) *ex officio*. Therefore, owners of other prior rights conflicting with a junior trademark application generally must resort to filing an *ex parte* procedure such as an opposition or invalidation.

Although there has not been much legislative change regarding relative grounds since the last amendment of the Trademark Law in 2019, the understanding, position, and practice of China's trademark administrative authorities like the CNIPA and the courts in association with relative grounds have seen continuous evolution, specifically:

- 1) Well-known trademarks: The administrative authorities and courts have taken a more prudent and strict approach in recognizing well-known trademarks. Essentially, the recognition of a mark as a well-known trademark follows the principles of: (a) case-by-case recognition, i.e. the application for well-known trademark recognition can only be raised in the context of a specific trademark case (i.e., it cannot be requested *per se*, as a standalone request) and, if obtained, such recognition would only be applicable to the specific case (nevertheless, a previous well-known recognition record can be used as evidence to support a subsequent well-known recognition application, but this is not automatic, i.e., the brand owner should not passively rely on the prior well-known trademark recognition record to request the recognition of the well-known trademark in future cases); (b) passive protection, i.e., a trademark will only be recognized as well-known if the trademark owner requests it and the administrative authorities and courts will not do so on their own initiative; and (c) recognition on demand, i.e., they will only proceed to well-known trademark recognition if the trademark owner's rights can only be protected through such recognition. If the right could be protected on another legal basis under the Trademark Law, the well-known recognition shall be considered unnecessary.

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e.g. the EUIPO, which will not examine relative grounds for refusal *ex officio*



- 2) Letter of Consent: There have been some changes regarding the CNIPA's attitude and position in association with Letters of Consent. Essentially, the CNIPA has changed its previous position from generally accepting a Letter of Consent as a factor to overcome a refusal based on similarity with a prior mark, to the current position that a Letter of Consent is generally not sufficient to overcome such similarity objection. This inevitably creates more difficulties for trademark applicants to overcome prior cited similar marks. However, unlike the CNIPA, the courts continue to take the position that a Letter of Consent could be accepted to overcome similar mark citations, provided that the marks at issue are not confusingly similar and that the co-existence of the marks are not likely to jeopardize the public interest. Nevertheless, the change of approach at the CNIPA level has also had an impact on the standpoint of certain judges in their examination of review on refusal cases involving Letters of Consent, and the courts are also taking a more prudent and strict approach in reviewing cases involving Letters of Consent.
- 3) Prior rights: The CNIPA and the courts have started adopting a more open-minded position regarding the scope of prior rights under Trademark Law. Apart from copyright, trade name and personal name rights—which are civil rights clearly stipulated in various laws—other legitimate rights and interests like ‘merchandising rights’ have also been recognized as prior rights, provided that they meet some conditions (see our case overview below). This development provides more tools and legal grounds for brand owners to protect their rights under the Trademark Law.

## 2. Cases

### 1) **The Shiseido Case:<sup>7</sup> The Scope of Protection of Well-Known Trademarks Includes Protection Against Blurring of the Distinctive Character of a Well-Known Mark**

#### Summary

The Shiseido case concerns an opposition where a trademark application for “资生堂石膏” (i.e., “Shiseido Gypsum” in Chinese characters), filed by a domestic gypsum manufacturer, was opposed by the global cosmetics company Shiseido Company Ltd. (“Shiseido”) based on its well-known trademark registration for SHISEIDO 资生堂. The second instance court decision elaborates and clarifies the meaning of “*misleading to the public and may cause harm to the interests of the registrant of the said well-known trademark*” under Article 13 of the PRC Trademark Law.

#### Case Facts

Jingmen Shiseido Gypsum Industry Co., Ltd. (“Jingmen Shiseido”) filed trademark application No.11485383 for “资生堂石膏” (i.e. “Shiseido Gypsum” in Chinese characters) for goods including “alabaster; plaster of Paris; gypsum and gypsum board” in Class 19 in 2012. The subject mark was opposed by Shiseido, based on its prior trademark registrations for “资生堂” (i.e., SHISEIDO in Chinese characters) for cosmetics in Class 3. Given the dissimilarity between the goods applied for and the goods covered by Shiseido’s trademark, Shiseido argued that its trademark is well-known, so it could claim cross-class protection.

The CNIPA recognized the well-known status of SHISEIDO and ruled in support of Shiseido’s opposition claim in both the opposition proceeding and in the subsequent review of the opposition proceeding. Jingmen Shiseido appealed this unfavourable opposition decision to the Beijing Intellectual Property Court, claiming that (a) there was not sufficient evidence showing the well-known status of SHISEIDO before the filing date of the subject mark; (b) there was no bad faith on the part of Jingmen Shiseido in filing the subject mark; and (c) the goods applied for and the goods covered by Shiseido’s

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<sup>7</sup> Shiseido Company, Ltd. v. Jingmen Shiseido Gypsum Industry Co., Ltd., Beijing Higher People’s Court, (2021) JING XING ZHONG No.3916.

trademark are dissimilar as to their functions, targeted consumers, and sales channels.

After examining the arguments and evidence filed by the parties, the Beijing Intellectual Property Court overruled the opposition decision on the grounds that Shiseido failed to provide sufficient evidence showing the well-known status of its SHISEIDO mark. In fact, except for submitting a few prior CNIPA decisions recognizing the well-known status of the SHISEIDO mark, Shiseido did not provide any other evidence showing the reputation of its marks in China and the court therefore found that the evidence filed was not sufficient to establish the well-known status of SHISEIDO (see the principle of case-by-case recognition, discussed under paragraph 1 above).

### Court Decision

The case was eventually appealed to the Beijing Higher People's Court and Shiseido supplemented substantial evidence showing the use and promotion of the SHISEIDO mark prior to the filing date of the subject mark. The court considered that Shiseido's trademark was a well-known trademark, without a specific meaning and with strong inherent distinctiveness. The court also found that the opposed mark incorporates the senior mark in its entirety and that the two are similar in terms of text composition, pronunciation, meaning, etc. Based on these elements, the court considered that the relevant public is likely to presume that the disputed trademark is connected to Shiseido's well-known trademark, thereby blurring the distinctiveness of Shiseido's trademark or improperly using its market reputation. Based on these elements, the opposition was granted and the trademark application was rejected.

The takeaway from this case is that it clarifies and elaborates the meaning of "*misleading to the public and may cause harm to the interests of the registrant of the said well-known trademark*" under Article 13 of PRC Trademark Law<sup>8</sup>, which not only refers to the scenario that the infringing mark would cause consumer confusion regarding the source of the products or services but also includes the scenario that the infringing mark would blur the distinctiveness of a well-known trademark by creating an association in the minds of the relevant public, even if that public is not confused as to the origin of the products or services. In addition, another lesson learned from this case is that the brand owner should actively submit evidence showing the use and reputation of their mark in China and should not simply rely on the prior decisions that recognized the well-known status of the mark (see the case-by-case recognition of well-known trademarks discussion, under paragraph 1 above).

### 2) The 阳光超人 Yángguāngchāorén Case:<sup>9</sup> Advertisements Sufficient to Prove Prior Use of an Unregistered Mark Used During Agency Period

#### Summary

This case concerns an invalidation proceeding based on the prior use of an (at the time) unregistered mark, involving a former agent and a former principal. The case is interesting because it clarifies when and how prior unregistered marks can be relied upon as a prior right and serve as the legal basis for the invalidation of a junior registered trademark and how the prohibition for agents to register their principal's brands is applied in practice. In the final decision, the court held that even though the former agent may have been first to register this mark, the former principal had prior rights and interests in this mark through its previous unregistered agency use.

<sup>8</sup> Article 13 of Trademark Law of People's Republic of China: *Where the holder of a trademark which is well known by the relevant public is of the view that its rights are infringed upon, it may request for protection of well-known trademark pursuant to the provisions of this Law.*

*An application for registration of a trademark which is a replication, imitation or translation of other's well-known trademark not registered in China for use on identical or similar commodities which is easily misleading shall not be registered and the use of such a mark shall be prohibited.*

*An application for registration of a trademark which is a replication, imitation or translation of other's well-known trademark already registered in China for use on non-identical or non-similar commodities which is misleading to the public and may cause harm to the interests of the trademark registrant of the said well-known trademark shall not be registered and the use of such a mark shall be prohibited.*

<sup>9</sup> Hangzhou Qinlv High Technology Co., Ltd. v CNIPA/Recaro Child Safety GMBH & CO.KG, Beijing High People's Court, (2021) JING XING ZHONG NO.907

## Case Facts

The factual background of this case involves a terminated agency relationship. Particularly,

- a) from March 2005 to November 2014, Hangzhou Qinlv High Technology Co., Ltd. (“Qinlv”) was the China agent of the German company Recaro Child Safety GMBH & CO.KG (“Recaro”), commercializing Recaro’s child safety seats.
- b) During the term of the agency relationship, Qinlv opened and operated a Recaro flagship store at the e-commerce platform JD.com, advertising Recaro-branded child safety seats. Qinlv used the unregistered Chinese brand “阳光超人” (“Sunshine Superman” in Chinese characters) and “imported from Germany” in advertising and promoting Recaro child safety seats.
- c) After the agency relationship was terminated in November 2014, Qinlv applied for registration in its own name of the “阳光超人” mark it previously used, which was granted in 2016, and Qinlv used it in relation to seats not originating from Recaro.
- d) However, Recaro’s new Chinese agent kept on using the “阳光超人” mark for Recaro’s products, and while Qinlv sued for trademark infringement, Recaro initiated an invalidation case against Qinlv’s trademark registration for “阳光超人” mark.

Both the CNIPA and the Beijing Intellectual Property Court supported the invalidation claim initiated by Recaro in the invalidation proceeding and in the first instance administrative proceeding, finding that:

- a) A valid agency relationship existed between the parties;
- b) After the termination of the agency relationship between the two parties, the reputation and goodwill of the trademark in dispute were all derived from the products of Recaro;
- c) The registration of the trademark in dispute is in breach of article 15 of PRC Trademark Law<sup>10</sup>.

## Court Decision

The case discussed here concerns the judgment on appeal in the invalidation case.

In its final appeal judgment, the Beijing Higher People’s Court considered that based on the evidence of the advertising of Recaro’s child safety seats during the term of the agency relationship, after years of use, the logo of “阳光超人” had obtained a certain degree of consumer awareness and had gradually formed a stable corresponding relationship with Recaro’s products. One of the key elements was also the German origin of the products, which was mentioned by Qinlv in such advertising, which again suggested that the products originated from Recaro. Therefore, the relevant public had come to understand seats marked with this brand as being produced by Recaro and not originating from Qinlv. On this basis, the court found that at the end of the agency relationship, the goodwill and reputation represented by the “阳光超人” mark originated from Recaro, and Qinlv’s trademark was therefore invalidated.

The takeaway from this case was that the court held that even though Qinlv may have been first to register this mark, Recaro had prior interests in this mark through its previous user during the agency relationship, and Qinlv’s registration of the mark therefore violated the prohibition in Article 15 of the Trademark Law for agents to register their principal’s trademarks.

- 3) **The Cognac Case:<sup>11</sup> The Protection of Foreign Geographical Indications Extends to Any Form of Chinese Translation or Transliteration that Can Reflect Such GI in Chinese**

## Summary

In this case, the foreign association holding the Geographical Indication (GI) for COGNAC filed an in-

<sup>10</sup> Article 15 of PRC Trademark Law: Where an agent or a representative registers the trademark of its principal in its own name without authorization, and the entrusting party raises an objection, the trademark shall not be registered and the use of such a trademark shall be prohibited.

For an application for registration of a trademark which is identical or similar to a unregistered trademark which has been used by another person for use on the same type of commodities or similar commodities, where the applicant is aware of the existence of the trademark due to contractual or business relationship or any other relationship with such person other than those stipulated in the preceding paragraph, and such person has raised an objection, the application shall not be approved.

<sup>11</sup> Bureau National Interprofessionnel du Cognac v. Zhejiang Zhen Wine Network Technology Ltd., the CNIPA, SHANG PING ZI [2021]0000299642.

validation proceeding against a trademark that could be seen as a transliteration of the foreign GI in Chinese, registered for identical goods. This case clarified that the protection of foreign GIs extends to any form of common Chinese translation or transliteration that can reflect such GI in Chinese.

### Case Facts

This case concerns a trademark invalidation procedure brought by the *Bureau National Interprofessionnel du Cognac* (BNIC), i.e., the French national association of producers and merchants of Cognac brandy. The procedure was brought before the TRAB against the registration of the mark “康涅克” (“Kāng niè kè” in Pinyin) by Zhejiang Zhen Wine Network Technology Ltd, which had registered this mark for wines, etc., in Class 33 (registered on May 28, 2016).

On December 17, 2020, the BNIC brought its invalidation proceeding against the disputed mark, essentially arguing that “康涅克” (“Kāng niè kè” in Pinyin) is the transliteration of its geographical indication (GI) COGNAC (even though the usual translation for Cognac brandy in Chinese is “干邑”).

### The Trademark Review and Adjudication Board (TRAB) Decision

The TRAB considered that COGNAC was a valid GI for brandy, “康涅克” could be considered a valid transliteration of the sound of COGNAC in the Chinese language and that the GI COGNAC had already obtained, prior to the date of trademark registration, a strong reputation in China. On this basis, the TRAB accepted that the relevant consumers were likely to be misled into believing that the wines for which the disputed mark “康涅克” was used originate from the Cognac region or have its characteristics and that the mark would be interpreted as the transliteration of the COGNAC GI by the relevant public in China. The TRAB held that this violated articles 10.2 and 16.1 of the Trademark Law<sup>12</sup>.

In its decision, the TRAB considered that the protection of geographical indications in foreign languages includes the protection of their Chinese translations and transliterations. While the most common translation of Cognac is “干邑”, this is not the only way to refer to it in Chinese, and the mark “康涅克” (“Kāng niè kè” in Pinyin) could also be seen as a common Chinese transliteration of COGNAC. This mark should therefore be included in the scope of protection of this geographical indication.

The key element of this case is that the scope of protection of a foreign language GI is not limited to the most common or official translation of the GI but encompasses broadly other common translation forms that can reflect the GI in Chinese, including transliterations.

#### 4) The *CELINE*<sup>13</sup> Trademark Consent Letter Case: Consent Letters Can Sometimes Still be Accepted if Risk of Consumer Confusion Can be Sufficiently Ruled Out

### Summary

In this trademark refusal case, the trademark applicant submitted a letter of consent from the prior conflicting trademark owner and argued that there would be no consumer confusion since there were significant differences between the marks in the proceeding. The appeal court eventually agreed, finding that, even in light of the recent stricter approach regarding consent letters, such letters can still be accepted, if risk of consumer confusion can be sufficiently ruled out.

### Case Facts

This case concerns a trademark refusal case appealed up to the Beijing High People’s Court, concerning the mark **CELINE**, filed for by a company named 色丽耐公司. This mark was refused by CNIPA based on the existence of a prior registration for **CE-LINK** owned by a third party, namely CE LINK LIMITED, active in the electronics industry. The trademark applicant appealed the refusal and

<sup>12</sup> Which state, Article 10.2: “foreign GIs known to the public may not be used as trademarks except if those GIs have other meanings” and Article 16.1 “A trademark shall not be used or registered if it includes a GI but the goods do not originate from the place indicated by that GI, thereby misleading the public.”

<sup>13</sup> *CELINE v. CNIPA*, Beijing High People’s Court, (2021) Jing Xing Zhong No.1558.



submitted a letter of consent from the owner of the CE-LINK mark, arguing that there are significant differences between the marks, that the prior trademark owner of the cited mark agrees with the coexistence of the marks and that there was no likelihood of consumer confusion. This case was eventually appealed to the Beijing High People's Court.

### **Court Decision**

In its final judgment, the Beijing High People's Court considered that although the marks both contain "CE" and "LIN", there are significant differences between the marks in terms of letter composition, meaning, and pronunciation, and the applicant presented a letter of consent. In this regard, the court considered that consent letters can sometimes still be accepted if risk of consumer confusion can be sufficiently ruled out. On this basis, the court granted the appeal and reversed the refusal decision.

The main lesson that can be learned from this case is that even though the Chinese trademark authorities have become increasingly reluctant to accept letters of consent (see paragraph 1 above), the courts still seem to indicate that they may be acceptable in cases where there is only a low risk of consumer confusion.

### **5) The ALMAT<sup>14</sup> Case Trademark Consent Letter Case: Consent Letters Cannot be Accepted if the Marks are Highly Similar**

#### **Summary**

In this trademark refusal case, which was eventually appealed up to the SPC, the trademark applicant also submitted a letter of consent from the prior trademark owner. However, unlike in the previous case, in this case the SPC did not follow the reasoning of the trademark applicant. While the courts will generally consider such letters of consent, the SPC held that their mere submission does not by itself constitute a silver bullet. This is especially so in cases where the trademarks and their relevant goods are highly similar, since the courts will also take into account the public interest, i.e., the remaining risk of confusion for consumers.

#### **Case Facts**

This case concerns a trademark refusal case appealed to the SPC, concerning the mark ALMAT filed by Aldi Investment Co. Ltd for laundry detergents, etc., in Class 3. This mark was refused based on the existence of a prior registration for ALMAY also in Class 3, for shampoo, conditioner, and skin cleanser, owned by the Ralph Lauren Company. The trademark applicant appealed the refusal several times, up to the SPC and submitted a letter of consent regarding the coexistence of the marks from Ralph Lauren.

#### **Court Decision**

In its final judgment, the SPC considered the similarity of the trademarks and the similarity of the goods applied for. On the basis of the high degree of overlap between both the trademarks and the relevant goods, the court concluded that the likelihood of confusion among the relevant public was high. Therefore, the court concluded that even though a letter of consent was submitted from the prior trademark owner, the letter of consent by itself, which only concerns the private commercial interests of the companies, is not sufficient to automatically exclude possible market and consumer confusion, which is a matter of public interest, which the Trademark Law seeks to protect.

The takeaway from this case is that while a letter of consent may still be a strong weapon for trademark applicants in refusal cases, and while the courts will generally consider such letters of consent, their mere submission does not by itself constitute a silver bullet, especially not where the trademarks and goods are highly similar, since the courts will also take into account the remaining risk of confusion for consumers.

<sup>14</sup> Aldi Investment Co. Ltd v. CNIPA, Supreme People's Court, (2020) ZUI GAO FA XING SHEN No.8163.

## 6) The 七个桔儿 *Seven Oranges Case*:<sup>15</sup> Prior Rights in Unregistered Mark Can be Proven Through Informal Evidence Such as Social Media Posts, Advertising Contracts and Storefront Pictures.

### Summary

In this trademark opposition case, an application for advertising and restaurant services was opposed by a service provider who had previously used an unregistered identical mark for services that largely overlapped with the application. This case is interesting because it showed that prior rights in an unregistered trademark do not always require formal documentary evidence but can also be established through evidence such as social media campaigns and other less formal communications (e.g., storefront design, etc.).

### Case Facts

This case concerns a trademark opposition case filed before CNIPA, involving a trademark application for “seven oranges” in English) filed by Shaoxing Hengxi Trade Co., Ltd. in Class 35 for services including advertising and restaurant services. This application was opposed by a service provider active in the restaurant and catering industry (Qichun Seven Orange Cultural Media Co., Ltd.), that also was engaged in producing and promoting short videos using the Huanggang dialect. The opponent argued that they had obtained prior unregistered rights with a certain influence through the use of their unregistered mark. As evidence to substantiate their claims, they submitted screenshots of their social media accounts (Douyin and Kuaishou), the contract for the shooting of their promotional videos, awards certificates, photos of the storefront decoration showing the 七个桔儿 mark, etc., for example:



### The CNIPA’s Decision

The CNIPA considered that this evidence was sufficient to prove that the opponent had used their unregistered trademark for “advertising,” “restaurant” and other services, and that it had gained a certain influence among relevant consumers through such use and advertising. On this basis, the CNIPA found that the 七个桔儿 application constituted an intentional copy, likely leading to consumer confusion, and that it constituted an attempt to preemptively register the opponent’s mark by improper means.

This case is interesting, because it shows that the CNIPA fully considered that consumer influence can be obtained through social media campaigns and other less formal communications (e.g., storefront design), and that the CNIPA takes a pragmatic approach in interpreting the relationship between the “certain influence” of a prior unregistered mark and the attempt to register such mark through “unfair means.”

## 7) The 葵花宝典 *Sunflower Manual Case*:<sup>16</sup> Merchandising Rights in Fictional Characters and Names as Prior Rights

### Summary

This invalidation case concerns the name of a famous fictional martial arts manual that is featured

<sup>15</sup> Qichun Seven Orange Cultural Media Co., Ltd. v. Shaoxing Hengxi Trade Co., Ltd., CNIPA, (2021) SHANG BIAO YI ZI No. 0000148652.

<sup>16</sup> Perfect World v. UQEE, the Supreme People’s Court, (2021) ZUI GAO FA XING ZAI No.254.

as part of the story of a popular novel. The rights to create a derivative game based on the novel were sold to the party requesting the invalidation, and this party therefore claimed that it owned the merchandising rights in the name of the fictional novel. The SPC eventually ruled that merchandising rights, which are not explicitly protected under any law, in fictional characters and character names, etc. can be protected as prior rights under the Trademark Law, provided that such rights comply with the three conditions set out by the SPC in this case.

### Case Facts

This case concerns an invalidation case against the trademark 葵花宝典 (KUI HUA BAO DIAN, “Sunflower Manual” in English) which was filed by a Chinese gaming company for use in online games in Class 41.

In this case, the cultural background is important. It should be noted that 葵花宝典 (KUI HUA BAO DIAN, “Sunflower Manual”) is the name of a fictional secret manual, used in a famous book of the *wuxia* genre (a genre concerned martial arts heroes in ancient China) named “笑傲江湖” (XIAO AO JIANG HU, “The Smiling, Proud Wanderer” in English). Since, in the storyline, the fictional Sunflower Manual contains the secrets to certain martial arts skills, it was intensely sought after by the key characters in the novel and is a very important element in the novel, driving the storyline. The *wuxia* book, “The Smiling, Proud Wanderer,” is very popular among readers in China, as is the Sunflower Manual. Given the high degree of recognition of the Sunflower Manual among the public, the term Sunflower Manual has also even been used by the public as a generic term to refer to a useful summary or guidance regarding a specific industry.

A Shanghai gaming company filed the trademark application for 葵花宝典 (Sunflower Manual) in Class 41, covering, among other things, online gaming, etc., in 2012 and obtained the registration in 2013. In 2015, game developer Perfect World, which obtained the license from the copyright owner of the book to develop the online game for “The Smiling, Proud Wanderer,” filed an invalidation procedure against the mark, claiming that the registration of that mark infringed Perfect World’s merchandising right in 葵花宝典. Specifically, it argued that its merchandising right refers to Perfect World’s right of using the reputable image of the work, the title of the work, and the reputable elements in the work on the specific goods or services to obtain commercial interests in the business. At the CNIPA level, the TRAB ruled in favor of Perfect World, accepting that 葵花宝典 had acquired a high degree of popularity and recognizing its merchandising rights within the term “prior rights” under the Trademark Law.

The case was then appealed to the Beijing Intellectual Property Court and further appealed to the Beijing Higher People’s Court. Importantly, both the first instance and second instance courts overruled the decision made by the TRAB. Essentially, both courts found that the sole connection between the term 葵花宝典 and the *wuxia* book had been interrupted since 葵花宝典 had become a generic term used by the public at large and denied the protection of merchandising rights as “prior rights” under the Trademark Law. The case was then further appealed to the SPC.

### Court Decision

The SPC held that:

- 1) The prior rights specified in the Trademark Law include the civil rights or other legitimate rights and interests enjoyed by the parties before the date of filing the trademark in dispute.
- 2) Names of the copyrighted works, characters in the copyrighted works, etc., may all be considered as prior rights under the Trademark Law, provided that the following three conditions are met: a) the copyright term of the work has not yet expired; b) the title or character name is relatively well-known (the necessity to seek trademark protection for such element of the work depends on the reputation and impact of the element); c) the use of such element of the work on the specific goods/services is likely to cause public confusion.
- 3) As an important element in the novel 笑傲江湖, 葵花宝典 had gained a strong recognition

and reputation, and had established a unique connection with the novel. The SPC disagreed with the lower courts and held that the generic use of 葵花宝典 to some extent by the public did not cause the interruption of the unique connection between 葵花宝典 and the novel. In fact, the SPC held that the reason why the public uses 葵花宝典 to refer to an advanced strategy or manual originates from the existence of 葵花宝典 in the novel.

- 4) The trademark in dispute is identical to the name of the manual and was registered for online gaming, which is within the scope of derivative services related to the wuxia novel. The use of the trademark in dispute is likely to cause confusion to the public regarding the source of those services.
- 5) Apart from the trademark in dispute, the Shanghai gaming company had also registered several trademarks relating to the 笑傲江湖 novel, which showed that the Shanghai gaming company was familiar with the novel and filed the marks in bad faith.

The SPC therefore accepted that 葵花宝典 constituted a prior right, overruled the prior appeal judgments, and confirmed the TRAB's decision.

The takeaway from this case is that certain merchandising right' in fictional characters and names, etc., can be protected under the Trademark Law as prior rights, provided that they comply with the three conditions set out by the SPC (see above, under paragraph 2).

#### 8) **The *Manolo Blahnik* case<sup>17</sup>: The protection of an unregistered personal name right as a prior right**

##### **Summary**

In this invalidation case, Manolo Blahnik, an internationally famous fashion designer, relied on his unregistered personal name rights to attempt to invalidate a trademark incorporating his name. The case eventually reached the SPC, which clarified the conditions for the protection of an unregistered personal name right as a prior right. Such protection generally requires an established and specific connection, i.e., the public must perceive the trademark as a reference to the personal name. Another important lesson from this case was that even foreign evidence and evidence from the Hong Kong SAR can be taken into account to establish a personal name's reputation in China at a given time.

##### **Case Facts**

This case concerns a trademark invalidation case filed by fashion designer Manolo Blahnik against a local businessman active in the footwear industry, who had applied for “MANOLO & BLAHNIK 诺罗·贝丽嘉” in January 1999 in Class 25 for shoes, boots, and related goods. Manolo Blahnik first established his high-fashion shoe brand in the 1970s, with increasing commercial success. Less than a year after the squatted mark was applied for, he initiated his decades-long legal war to recover his brand in China. Manolo Blahnik first opposed the squatted mark, including a review procedure and two instances of administrative appeals, but lost all these proceedings. Largely due to the lack of sufficient evidence showing prior use before the filing date of the squatted mark, i.e., January 1999, or showing prior reputation obtained before that date, his claim was dismissed in those proceedings. Subsequently, upon the successful registration of the squatted mark, Manolo Blahnik filed an invalidation proceeding, and again appealed it twice, but lost all these proceedings as well. Apart from pointing to the lack of sufficient evidence showing his prior right and reputation, the judges in both instances of administrative appeals also based their rejection on the principle of “*non bis in idem*” (the equivalent of “double jeopardy”). Essentially the courts found that the legal grounds and facts submitted by Manolo Blahnik in the invalidation proceedings were too similar to the ones relied on in the earlier unsuccessful opposition proceedings. Manolo Blahnik therefore filed for a retrial before the SPC.

<sup>17</sup> Manolo Blahnik v. Fang Yu Zhou, Supreme People's Court, (2021) ZUI GAO FA XING ZAI No.75.



## Court Decision

The SPC's judgment essentially focused on three aspects. Firstly, the admissibility of the evidence and applicability of *non bis in idem*. The SPC essentially agreed with the lower courts that the translations of evidence submitted before should not be considered. However, the SPC did recognize that the newly submitted evidence such as national library search reports and various media reports should be considered as "new facts" that are substantially different from the evidence submitted in the previous proceedings and are therefore admissible. Secondly, the SPC recognized that foreign evidence of use and reputation may be relevant. One of the key difficulties for Manolo Blahnik in this case was to show prior use and reputation in China before the filing date of the squatted mark in January 1999, because Manolo Blahnik did not use or advertise its mark at that time in China. The SPC also took a very pragmatic approach on this issue by not only considering the evidence produced directly in China, but also considering the evidence of use and promotion in overseas markets, and in the Hong Kong SAR market. The SPC considered that this evidence was also capable of indirectly impacting the pre-existing reputation of the brand in China. Thirdly, the SPC held that prior name right protection requires an established and specific connection, i.e. the public perceives the trademark as a reference to the personal name. When considering whether a trademark infringes on a person's prior name right, the SPC took the view that it is important to consider whether there is a stable and specific connection between the trademark and the individual's personal name. In other words, the relevant assessment to make is whether the public would consider the trademark to refer to a certain individual, and whether the public would presume that a product bearing such trademark is licensed by or otherwise connected with that individual. When applying these rules to the case at hand, the SPC considered the fact that Manolo Blahnik is a renowned Spanish footwear designer and that his name by itself is not a fixed Spanish word. The SPC also noted that the Latin-letter part of the squatted mark is identical to the personal name of Manolo Blahnik and referred to the bad faith of the applicant. The SPC commented that, as a player in the footwear industry for a long time, the registrant of the squatted mark should have known Manolo Blahnik, and that the registration of the squatted mark registered in Class 25 for shoes, boots, and other goods cannot be a mere case of coincidence and must therefore be declared invalid.

The main takeaways from this case are that the protection of a name right as an unregistered prior right under the Trademark Law requires an established and specific connection, i.e., the public must perceive the trademark as a reference to the personal name, and that even foreign evidence and evidence from the Hong Kong SAR can be taken into account to establish a personal name's reputation in China at a given time.

It is clear from the above case overview that there have been several significant developments in recent Chinese jurisprudence concerning relative grounds. In broad strokes, recent cases have clarified the conditions for several unregistered rights to qualify as prior rights under the Trademark Law, how and when consent letters can be used to overcome refusals based on prior rights, and has elucidated the scope of protection of foreign geographic indications and unregistered well-known marks.

### **III. TRADEMARK INFRINGEMENT, LIMITATION OF RIGHTS, AND DEFENSES**

#### **1. Introductory Comments**

Regarding the determination of infringement, the following six cases provide crucial guidance on many new challenges and problems springing up in the IP field in recent years.

As common forms of international trade, original equipment manufacturing (OEM) and parallel import issues have been controversial for many years. Specifically, OEM in China describes a manufacturing activity where the manufacturing company produces and sells products or parts of a product for the entrusting company, putting the products under the entrusting company's name and sales abroad. As for the OEM issue, some courts have determined it to be trademark infringement as it is still possible to cause consumer confusion during the process, while others ruled that it is not trademark use since the finished products would not be put into the domestic market. The SPC finally unified the rule in the *Honda Case*<sup>18</sup> in 2019, pointing out that OEM activities shall be regarded as trademark use. The recent *JURATEK Case* is special in that although the defendant participates in OEM and both parties' trademarks are the same, the plaintiff's claim is not supported as its trademark registration violates the fundamental principle of "honesty and good faith."

"Parallel" import refers to the importation of products bearing a legitimate trademark, but without the authorization of the trademark owner. The issue of parallel import issue shall also be analyzed on a case-by-case basis. In general, selling parallel-import goods would not be determined to be trademark infringement. However, as the court in the *LAND ROVER Case* pointed out, using the disputed trademark in the business operation to provide sale and after-sale services could be beyond the limitation of reasonable use, and hence mislead consumers about the service source. The decision shall be based on the overall circumstances of use.

In this "Internet+" era, apps and e-commerce platforms are extensively used in our daily lives. With regard to apps, the *Hebao Case* clarified that whether the name of an app infringes another's trademark shall be decided based on the similarity between the class of the registered trademark and the service type provided by the app, instead of by the app itself, i.e., the software. The computer software is only a tool and carrier to provide the service, with the essence and target group of the service unchanged. It is consistent with judicial interpretation stipulating that "similar services" shall mean services that have identical purposes, content, methods, target consumers, etc.

E-commerce platforms are also widely used nowadays for our daily shopping. In this channel, the title of the product sales link is the most important reference for consumers to make their purchase. The *Compatible with Huawei Case* ruled such use as trademark infringement considering whether the defendant's own brand is used, whether the accused infringing products are compatible with other brands, and actual consumer confusion caused.

To regulate behaviors "riding on others' brand reputation," the cross-class protection of well-known trademarks has been enhanced a step further according to the legislation trend. Article 18 of the latest revised draft of the Trademark Law published this year stipulates that a well-known trademark may obtain cross-class protection even it is not registered in China. The principle of determining whether a trademark is well known is still "case-by-case, passive protection and on the basis of demand." The *奥特曼 (Ultraman) Case* illustrated the necessity of cross-class protection of *奥特曼* as a well-known trademark because there is correlation and overlapping in the target consumers and sales channels of both parties' products.

As a usual defense for trademark infringement, the prior user right defense stipulated in Article 59 of the Trademark Law has been applied more explicitly, including three elements: 1) the prior

<sup>18</sup> Honda Motor Co., LTD., Supreme People's Court, (2019) Zui Gao Fa Min Zai No. 138.

use of the trademark before another's registration application; 2) a certain level of influence has been achieved; and 3) the continuing use does not exceed the original scope. The *Hualian Case* determined specifically that setting up a new branch store and using the trademark in its business operation exceeds the original scope."

## 2. Cases

### 1) JURATEK Trademark Infringement Case<sup>19</sup>

#### Summary







The court illustrated the Original Equipment Manufacturer (OEM) issue and the principle of "honesty and good faith" in Trademark Law. As an important form of foreign trade, OEM shall neither be decided as trademark infringement or as the exception of trademark infringement using the one-size-fits-all approach. It shall be analysed specifically to achieve a balance between the interests of trademark owners and OEM factories. In regard to the principle of "honesty and good faith,"<sup>20</sup> trademark owners shall follow this principle during application and use of trademarks. Improperly exercising trademark rights for the purpose of harming the legitimate rights and interests of others is contrary to the purpose and spirit of the law, and hence shall not be supported.

#### Case Facts

The plaintiff, Baoyi, was established in 2011, mainly engaged in manufacture of brake products. It applied for the trademark in 2017 and completed the registration in 2018. The defendant, Runjun, is the OEM factory authorized by the British company JURATEK LIMITED to manufacture brake products by affixing the "JURATEK" trademark on the products and shipping the finished products to consignees in the EU or the UK for overseas sales. Baoyi accused Runjun's of trademark infringement based on its OEM activity.


#### The 2nd-instance court's final judgment

The second-instance court dismissed Baoyi's complaint. Its reasoning was as follows.


On the one hand, Baoyi's exercising of its registered trademark right violates the principle of "honesty and good faith" since it registered the  trademark although it was aware of JURATEK LIMITED's company name and the  commercial mark. Firstly, JURATEK LIMITED used JURATEK first as its company name early in 2000, registered the JURATEK trademark in the EU in 2006 and has conducted OEM of  automobile brake products in China since 2008. Secondly, Baoyi displayed bad faith in its trademark registration. JURATEK is a fabricated word with high inherent distinctiveness. The  trademark it registered is the same as JURATEK LIMITED's  mark, even in the specific font and the combined design of the oval frame. It could not be coincidence that the marks are completely identical, and Baoyi is unable to provide a reasonable explanation for the origin of its trademark. In addition, Baoyi is located in Shandong Province, which is the same as the OEM factories authorized by JURATEK LIMITED. Baoyi's Legal Representative Lou Xiaobin also set up a company in the UK in 2014, which is JURATEK LIMITED's domicile. Thirdly, bad faith could be indicated from Baoyi's other behaviour after the  trademark registration. For example, it also registered the official domain names juratek.com.cn and juratek.cn in April 2018, which are very similar to JURATEK LIMITED's domain name juratek.com,

<sup>19</sup> Laizhou Baoyi Machinery Co., Ltd. v. Suzhou Runjun Trading Co., Ltd., Zhejiang Higher People's Court, (2022) Zhe Min Zhong No. 352.  
<sup>20</sup> Article 7 of Trademark Law: "Application for registration and use of trademarks shall comply with the principles of honesty and good faith."



registered in December 1999. Baoyi also used the JURATEK-related logo  on its product packaging, which is the same as another of JURATEK LIMITED's commercial marks. To conclude, it rode on the goodwill of JURATEK LIMITED's commercial marks and did not make any effort to cultivate the goodwill of its registered trademark. Fourthly, Baoyi also applied for several other trademarks that are identical or similar to well-known automobile component brands in other countries and regions in Class 12: automobiles.

On the other hand, Runjun has exercised reasonable duty of care through reviewing JURATEK LIMITED's trademark registration certificates and inspecting the business operation in its UK headquarters.





To conclude, Baoyi's complaint based on its registered  trademark violates the principle of "honesty and good faith" and thus shall not be supported.

## 2) LAND ROVER Trademark infringement Case<sup>21</sup>

### Summary



Selling parallel imported goods is generally not considered as trademark infringement. However, the court ruled that using the disputed trademarks in commercial operations to provide sale and after-sale services exceeds the reasonable scope of use and would mislead the public about the source of services, which shall be determined as trademark infringement. The court emphasized service providers should use trademarks to the extent reasonably necessary to indicate the source of goods and clarify the relationship when promoting the goods manufactured by others and the services provided by themselves.

### Case Facts

The plaintiff, Jaguar Land Rover Limited, is a well-known automobile manufacturer that was founded in the UK in 1948. The plaintiff has registered trademarks LAND ROVER, RANGEROVER, and the graphic marks  and  in class 12 (covering motor vehicles, vehicle parts and accessories, etc.), class 35 (covering advertising and marketing, etc.), and class 37 (covering vehicle repair and maintenance, etc.). The defendant, Liaoning Dream Car, is a distributor mainly selling parallel imported cars and providing maintenance and after-sale services. The defendant used the marks LANDROVER, , RANGEROVER, and  solely or prominently on its premises, official website, official WeChat account, etc., and used "Land Rover (6S) store," "6S flagship store · Land Rover Vehicle franchise store," and "Liaoning Dream Car Land Rover flagship store" as advertising. The plaintiff accused the defendants of trademark infringement and unfair competition.

### First instance

The court ruled in favour of the plaintiff, holding that the defendant had committed acts of trademark infringement and unfair competition, and awarded an amount of RMB 500,000 as economic loss and expenses, for the reasons described below.

The first issue is whether the defendant's use of the disputed registered trademarks while providing sale and after-sale maintenance services went beyond the reasonable scope of trademark use. The Defendant used LANDROVER, , RANGEROVER and  marks solely or prominently on its premises, official website, official WeChat account, etc., which are identical to the plaintiff's registered trademarks approved in Class 35 and 37. This type of use exceeded the reasonable scope of necessary instructions and explanations for the sale of motor vehicles and misled the public about

<sup>21</sup> Jaguar Land Rover Co., Ltd. v. Liaoning Dream Car Sales and Service Co., Ltd., Shenyang Intermediate People's Court, (2020) Liao 01 Min Chu No. 123.



the source of maintenance and after-sale services, which shall be deemed trademark use and constituted trademark infringement. Moreover, the defendant using the same mark in providing service as the plaintiff's registered trademark on goods could confuse the relevant public regarding the source of the goods and services, leading them to mistakenly believe there was a direct and specific relationship between the automobile manufacturer and the maintenance and after-sale provider. This action also infringed the plaintiff's exclusive right to use the registered trademark in Class 12.

The second issue is whether the defendant's behaviour constitutes unfair competition or false advertising. The defendant used advertising such as "Land Rover (6S) franchise store," "6S flagship store · Land Rover vehicle franchise store," "Liaoning dream car Land Rover flagship store," etc., in its business operations. The "6S," "franchise store" and "flagship store" are not fabricated words but have specific commercial meanings in related vehicle industries. For ordinary consumers, "6S" is easily associated with the upgrade made by brand owners to "4S" products and services. The terms "franchise store" and "flagship store" are usually associated with the brand owners or their authorized operating entities. The defendant's use of such advertising was likely to cause confusion among the relevant public, thereby damaging the legal interests of the plaintiff and the plaintiff's authorized franchiser, which constitutes unfair competition.

No appeal was filed.

### 3) **Hebao App Trademark Infringement Case**<sup>22</sup>

#### **Summary**

In the context of "Internet+," whether two things fall within similar categories of goods or services shall not be determined only based on the carrier. When determining the category of goods or services of an app, the function, user groups and nature and purpose of the app will be considered before a judgment is made. Computer software is only a tool to provide the service, with the essence of service and user groups unchanged.

#### **Case Facts**

The plaintiff Junyi registered the Hebao trademark, No. 13773587, in April 2015 in Class 9, covering data processing equipment, magnetic identification cards, and computer programs (downloadable software), etc. The defendant used "Hebao finance," "Hebao money management," and "Hebao loan" on its official website and used "Hebao" as the name of its app providing financial services on both the Android and STOAApple systems. Junyi accused the defendants of trademark infringement, claiming damages of RMB 5 million.

#### **The second-instance court's final judgment**

The second-instance court maintained the first-instance judgment that the defendant's using "Hebao finance," "Hebao money management," and "Hebao loan" on its official website and using "Hebao" as its app name does not constitute trademark infringement.

Firstly, the type of service provided by the defendant's "Hebao" app is financial services (users mainly use the app to deposit money for investment, obtain profits, and withdraw cash). Secondly, the defendant's use of "Hebao finance," "Hebao money management," and "Hebao loan" on its official website does not constitute trademark infringement as they are not the same as the plaintiff's registered trademark "Hebao." Also, use on the official website does not fall within trademark Class 9.

Secondly, the defendant's uploading of the "Hebao" app on the Apple iOS system and Android system does not constitute trademark infringement.<sup>23</sup> Although the defendant provided the app soft-

<sup>22</sup> Guangzhou Junyi Information Technology Co., Ltd. v. Shenzhen Hebao Financial Information Consulting Co., Ltd., Shenzhen Intermediate People's Court, Guangdong Province, (2019) Yue 03 Min Zhong No. 31635.

<sup>23</sup> Article 11 of Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Hearing of Civil Cases Involving Trademark Disputes: "Similar goods" as mentioned in Item (2) of Article 57 of the Trademark Law shall mean the goods that have identical functions, uses, production entities, sales channels, target consumers, etc., or goods that the relevant public generally considers to have a certain connection and that are likely to cause confusion. "Similar services" shall mean the services that have identical purposes, contents, methods, target consumers, etc., or the services that the relevant public generally considers to have a certain connection and that are likely to cause confusion. "Similar goods and services" shall mean that there are certain connections between

ware on different app platforms, the essence and purpose of providing the app software is to provide users with financial services. In other words, the app software only changes the place where financial services are provided from offline to online. Although users are required to install and use third-party app software on their mobile phones, the essence of services provided by the defendant is not changed substantially. The court clarified that the app is only a carrier for providing services. Therefore, the focus must be on the financial services rendered by the defendant's "Hebao" app in determining whether it is in the same or a similar class with Junyi's registered "Hebao" trademark. The court also considered whether Junyi's actual use would cause confusion about the source of the services. Junyi mainly promotes and sells magnetic cards with the function of payment through its WeChat official account "Hebao Platform." It did not provide software products either. Therefore, from the perspective of actual use, it is unlikely to cause confusion among the relevant public.

Thirdly, the defendant began using "Hebao" as the name of its app in March 2015, while the plaintiff applied for the trademark in December 2013 and completed the registration in April 2015. In other words, the defendant used "Hebao" before the plaintiff's registration, so it is unreasonable to require the defendant to avoid using "Hebao," which was not yet registered at that time.

To conclude, Junyi's "Hebao" trademark is registered in Class 9: computer software. It is different from the service type of the defendant's "Hebao" app.

#### 4) "Compatible with Huawei" Trademark Infringement Case<sup>24</sup>

##### Summary

On e-commerce platforms, the title and keywords of sales links are essential references for consumers to obtain product information. In this case, the court ruled that using the "Compatible with Huawei" mark in the sales title of a non-Huawei brand smartwatch without marking its own brand misled consumers into believing that the product was a Huawei brand smartwatch, and hence constituted trademark infringement.

##### Case Facts

On April 21, 2017, the Plaintiff Huawei registered the No. 18783416A "Huawei" trademark in Class 9, covering smartwatches (data processing), etc. The defendant, Doumao, operated a "Guoxinyun flagship store" on the Tmall platform to sell smartwatches. Doumao used the phrase "Compatible with Huawei mobile phones" on the store's homepage. Huawei argued that Doumao's use of the "Huawei" trademark in the title of smartwatch products infringed on Huawei's trademark rights and constituted false advertising. Doumao's defense was that using the phrase "Compatible with Huawei" in the sales titles was descriptive and fell within the scope of fair use.

##### First instance

The court ruled that Doumao's use of "Huawei" in the title of smartwatch products was not descriptive fair use, but rather constituted trademark infringement, and Doumao's use of advertising, such as "official website model," also constituted false advertisement and unfair competition, and Doumao was required to compensate Huawei RMB 2,000,000 for economic loss, for the reasons discussed below.

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goods and services, which are likely to cause confusion among the relevant public.

<sup>24</sup> Huawei Technology Co., Ltd. v. Putian Doumao Technology Co., Ltd., People's Court of Yuhang District, Hangzhou, (2021) Zhe 0110 Min Chu 15339.

To begin with, Doumao marked “Compatible with Huawei genuine mobile phones,” “Compatible with Huawei mobile phones,” and “Compatible with Huawei mobile phone GT2Pro” in the title of the smartwatch products without marking its own brand, which confused relevant consumers about the source of the products and let them mistakenly believe that the smartwatches were Huawei products. This use of “Compatible with Huawei” constituted trademark use.<sup>25</sup> Additionally, the smartwatches marked with “Compatible with Huawei” were actually compatible with other mobile phones besides Huawei, making it unreasonable for Doumao to only mark “Compatible with Huawei” in the title. Therefore, Doumao’s selling non-Huawei products but marking “Huawei” in the product title was not fair use and thus infringed Huawei’s trademark.

In addition, Doumao marked “Huawei” in the title of the smartwatch products and emphasized that the products were the “official website model,” the “official website pro model,” and the “official upgraded model” in the advertisement, which misled the relevant public to believe that there was a specific connection between these smartwatches and Huawei. Thus, the use of the trademark constitutes false advertising and unfair competition.

No appeal was filed.

### 5) “奥特曼” (Ultraman) Trademark Infringement and Unfair Competition Case<sup>26</sup>

#### Summary

The court emphasized that when the cross-class protection rule of well-known trademarks is applied, it is necessary to consider the correlation between the approved or actually used goods connected with the well-known trademark and the accused infringing products. In this case, trademarks no. 14183617 and no. 21074260 for “奥特曼” are approved to be used in Class 9 (covering animations) and Class 28 (covering toys), while the infringing party used such marks on children’s electric toothbrushes in Class 21. The court ruled that “奥特曼” could be cross-class protected as a well-known trademark due to the overlapping of sales channels and target consumers of the two parties.

#### Case Facts

Tsuburaya Productions Co., Ltd., registered trademarks no. 14183617 and no. 21074260 for “奥特曼” in Class 28, covering toys, and in Class 9, covering animations. Tsuburaya authorized the plaintiff Xinchuanghua to exclusively use the “奥特曼” trademarks on June 1, 2020. The defendant Hongyun sold children’s electric toothbrushes with the “奥特曼” mark in its “COMBO Official Flagship Store” on JD.com, promoted as “Ultraman Co-branded Model,” and displayed Ultraman’s cartoon image, etc. Xinchuanghua accused Hongyun of trademark infringement and unfair competition and requested that the No. 14183617 and No. 21074260 trademarks for “奥特曼” be recognized as well known.

#### The Second-instance court’s Final Judgment

The Beijing High People’s Court dismissed Hongyun’s complaint and upheld the first instance judgment that Hongyun must cease using the well-known trademarks no. 14183617 and no. 21074260 for “奥特曼” on its official store on JD.com and stop using Ultraman’s cartoon image in its store and on its packaging of products. The court awarded the total amount of economic loss of RMB 600,000 plus the expense of RMB 200,000. The main reasons for the decision are as discussed below.

The first issue is whether trademarks no. 14183617 and no. 21074260 for “奥特曼” registered in Class 9 (covering toys) and Class 28 (covering animation) should be recognized as well-known trademarks. Since the alleged infringing trademark was used on non-identical or non-similar commodities, i.e., children’s electric toothbrushes in Class 21, the determination of “奥特曼” as a well-known

<sup>25</sup> Article 48 of Trademark Law: Trademark use referred to in this Law shall mean use of a trademark on commodities, commodity packaging or containers and commercial transaction documents, or use of a trademark in advertisement and promotion, exhibition and other commercial activities, for identifying the source of commodities.

<sup>26</sup> Shanghai Xinchuanghua Culture Development Co., Ltd. v. Shenzhen Hongyun Technology Co., Ltd. and Beijing Jingdong 360 Degrees E-commerce Co., Ltd., Beijing High People’s Court, (2022) Jing Min Zhong No. 538.

trademark is a prerequisite for claiming trademark infringement.<sup>27</sup> The Ultraman brand, including the Ultraman TV series and trademarks no. 14183617 and no. 21074260 for “奥特曼,” has established a high market reputation in China through long-term and continuous use by Tsuburaya and Xinchuanghua Company. Although the defendant argued that the Ultraman TV series has a negative impact on minors due to sensitive issues, it did not provide sufficient evidence to support the negative effects on the relevant public. Therefore, the court ruled that trademarks no. 14183617 and no. 21074260 for “奥特曼” are well-known.

The second issue concerns whether Hongyun’s behavior infringes Xinchuanghua’s trademark. Hongyun prominently used the word “奥特曼” in its JD store to promote and sell children’s electric toothbrushes, which constitutes trademark use. Since both animation/toy products and children’s electric toothbrushes have children as their primary consumers, there is an overlap and correlation in consumer groups and sales channels of both parties. Considering the relevant public was more likely to be misled into believing that the toothbrushes were associated with the plaintiff, the court ruled that Hongyun’s behaviour constituted trademark infringement and the cross-class protection for the well-known “奥特曼” trademarks could be applied.

The third issue is whether Hongyun’s conduct constitutes unfair competition. The act of using the “Q-version Ultraman” image on packaging and online sales pages and advertising children’s electric toothbrushes as an “Ultraman Co-branded model” misled consumers into believing that the infringing toothbrushes were genuine Ultraman products. Such conduct was intended to associate with the Ultraman brand, which rode on the goodwill of “奥特曼” and damaged the interests of plaintiff as the right holder of the image of “Ultraman,” constituting unfair competition.<sup>28</sup>

#### 6) “Hualian” Trademark Infringement and Unfair Competition Case<sup>29</sup>

##### Summary

The prior user right defense in trademark cases according to Article 59 of the Trademark Law is as follows: The purpose of this defense is to protect the interests of good-faith prior users’ continuing use of the said trademark within the original scope of use. The elements are 1) the prior use of the trademark before other’s registration application; 2) certain level of influence has been achieved; and 3) the continuing use does not exceed the original scope. In this case, the prior user right defense was dismissed because the defendant did not provide sufficient evidence to prove that 1) they had used the accused infringing trademark before the date of the plaintiff’s application for registration; 2) the trademark they used has obtained certain level of influence; and 3) they “continue use of the said trademark within the original scope of use.” Specifically, setting up a store branch after another’s application for trademark registration and using the accused infringing trademark in the business operation of the branch does not fall within this defense.

##### Case Facts

The plaintiff was established in 2006, mainly engaged in supermarket operation, and it registered “Hualian Supermarket” trademark in 2011. Its predecessor entity, which also includes “Hualian” as the company name, was established in 1992 and has used “Hualian Supermarket” since then.

<sup>27</sup> Article 13 of Trademark Law: Where the holder of a trademark which is well known by the relevant public is of the view that its rights are infringed upon, it may request for protection of well-known trademark pursuant to the provisions of this Law. An application for registration of a trademark which is a replication, imitation or translation of others well-known trademark already registered in China for use on non-identical or non-similar commodities which is misleading to the public and may cause harm to the interests of the trademark registrant of the said well-known trademark shall not be registered and the use of such a mark shall be prohibited.

<sup>28</sup> Article 6(4) of Anti-Unfair Competition Law: Business operators shall not commit the following acts to mislead others to misidentify their goods as others’ goods or to associate their goods with others: any other acts which can mislead others to misidentify their goods as others’ goods or to associate their goods with others.

<sup>29</sup> Hualian Supermarket Co., Ltd. v. Feicheng Hualian Trading Co., Ltd. & its branch Chunqiu Gucheng Store, Supreme People’s Court, (2021) Zui Gao Fa Min Zai No. 3.



The defendant company was established in 2000 and its branch Chunqiu Gucheng Store was established in 2016. The defendant used “Hualian” and “Hualian Supermarket” on the signboard and shopping receipts of its Chunqiu Gucheng Store. The plaintiff accused the defendant of trademark infringement and unfair competition.

### **The SPC’s Final Judgment**

The SPC revoked the second instance judgment and decided that the defendant should immediately cease using the mark “Hualian” and “Hualian Supermarket,” cease using the word “Hualian” as the company name, and compensate the plaintiff RMB 50,000 for economic loss, for the reasons described below.

The first issue is whether the defendant has the prior user right of the trade name “Hualian” and the “Hualian Supermarket” mark. The plaintiff has a very close inheritance relationship with its predecessor entity, so the time when the plaintiff began using the “Hualian” trade name can be traced back to 1992, when its predecessor was established. Since then, through long-term business operations with many stores nationwide, “Hualian” and “Hualian Supermarket” has formed a stable connection with the plaintiff and obtained high reputation. The defendant was established on March 8, 2000, which was later than the establishment of the plaintiff’s predecessor, so it does not have the prior right to use the trade name “Hualian.” In addition, the evidence submitted by the defendant could not prove that the defendant had used the “Hualian Supermarket” mark in the supermarket industry and had obtained certain influence before the plaintiff applied for registration of its “Hualian Supermarket” trademark. Therefore, the defendant does not have the prior user right of the “Hualian Supermarket” mark either.

The second issue is whether the defendant’s use of the “Hualian” and “Hualian Supermarket” marks on its new branch Chunqiu Gucheng Store falls within the circumstance of “continuing use of the said trademark within the original scope of use”<sup>30</sup> as stipulated in Article 59 of the Trademark Law. The court noted that the defendant opened its branch Chunqiu Gucheng Store after the plaintiff applied for the registration of “Hualian Supermarket” trademark, which does not fall within the circumstance of “continuing use of the said trademark within the original scope of use” stipulated in Article 59 of Trademark Law. Furthermore, evidence submitted by the defendant could not prove that the defendant had used “Hualian” and “Hualian Supermarket” as trademarks in the supermarket industry and had obtained a certain level of influence before the plaintiff’s trademark registration application.

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<sup>30</sup> Article 59 of Trademark Law: Prior to a trademark registration application by a trademark registrant, where another party has used a trademark which is identical or similar to the registered trademark and has a certain reputation on the same type of commodities or similar commodities before the trademark registrant, the holder of exclusive rights to use registered trademarks shall have no right to prohibit the said user to continue use of the said trademark within the original scope of use, but may request that the user to insert appropriate additional distinguishing mark(s).

The third issue is whether the defendant's behavior constitutes trademark infringement and unfair competition. The defendant used "Hualian" and "Hualian Supermarket" marks on the store signboard and shopping receipts as trademarks to identify the source of goods or services. These two marks are the same or similar to the main visible part of the plaintiff's registered trademark, thus it constitutes trademark infringement.<sup>31</sup> The defendant used "Hualian" for the business operation of its Chunqiu Gucheng Store, which is the same as the plaintiff's trade name. Since the parties are engaged in the same or similar supermarket services, it would be inevitable to cause confusion among customers and hence the defendant's actions constitute unfair competition.<sup>32</sup>

With regard to the compensation, the evidence submitted by the plaintiff was not sufficient to prove its loss due to the infringement or the profits made by the defendant. There is no reference to a trademark licensing fee either. Therefore, the court determined compensation of RMB 50,000 considering the plaintiff's reputation, the infringing scale and circumstances, and the reasonable expenses of the plaintiff to stop the infringement.

## **IV. LEGAL REMEDIES**

### **1. Introductory Comments**

The legal basis of judicial remedies for trademark infringement can be found in the Trademark Law 2019 (TML 2019), the Civil Code, the Criminal Law, and multiple judicial documents<sup>33</sup> recently issued by the SPC.

In January 2023, the Amendment Draft of the TML (TML amendment draft) was released to solicit public comments. Some of the new provisions on remedies need attention.

#### **Permanent Injunction**

When trademark infringement is found, the court will typically issue an injunction requiring the defendant to cease the infringing acts. When an injunction is requested, it is not necessary for the plaintiff to prove that the trademark is in use—even an unused trademark can be protected by means of injunction. However, to claim compensation (TML Art. 64.1), the plaintiff must prove that its trademark is in use.

Moreover, according to two Judicial Interpretations of the SPC,<sup>34</sup> one on well-known trademarks (SPC 2009 Art. 11) and another one on conflicts of rights (SPC 2008 Art. 1), if the later trademark is not maliciously registered and has been registered for no less than five years, it cannot be banned from use.

However, it is worth noting that, in Yipingshi/一品石 case<sup>35</sup> where the prior copyright owner filed a lawsuit against a trademark that has been registered for five years, the SPC ordered the defendant to

31 Article 57 of Trademark Law: Any of the following acts shall be deemed as infringement of exclusive rights to use registered trademarks: ..... (2) use of a trademark similar to a registered trademark on the same type of commodities without licensing by the trademark registrant, or use of a trademark identical or similar to the registered trademark on similar commodities which easily causes confusion.

32 Article 57 of Trademark Law: Any of the following acts shall be deemed as infringement of exclusive rights to use registered trademarks: ..... (2) use of a trademark similar to a registered trademark on the same type of commodities without licensing by the trademark registrant, or use of a trademark identical or similar to the registered trademark on similar commodities which easily causes confusion.

33 The latest judicial documents include:

1. the Opinion on Comprehensively Strengthening IP Judicial Protection (SPC April 2020),
2. the Opinion on Increasing Punishment upon IP Infringement (SPC September 2020),
3. the Reply from the Defendant's Request for Compensation for Reasonable Expenses on the Ground of Plaintiff's Abuse of Rights in IP Infringement Litigation (SPC May 2021) and
4. the Interpretations on the Application of Punitive Damages in the Trial of Civil Cases of Infringement of IP Rights (SPC March 2021)

34 These two Judicial Interpretations are:

1. the Interpretations on Several Issues in Application of the Law Regarding the Trial of Civil Dispute Cases Involving the Protection of Well-Known Trademarks, (SPC April 2009, revised December 2020)
2. the Interpretations on Several Issues Concerning the Trial of Civil Dispute Cases Involving the Conflict Between Registered Trademarks, Enterprise Names and Prior Rights (SPC March 2008, revised December 2020)

35 Cockoo Electronics vs Zheng Jianghong, December 2021 2021 Zuigaofa Minzai No. 30

cease its act of use and compensate the plaintiff for its losses. This departs from Art. 9 of a judicial opinion issued by SPC in 2009<sup>36</sup> that stipulates that even if the earlier copyright owner is allowed to sue, the court won't stop the use of the later trademark.

### **Method of calculation**

Prior to the revision of the TML in 2013, a plaintiff was allowed to choose, among the calculation methods provided in the law, which method suited its case: prove the losses, prove the profits obtained by the infringer, or make a calculation based on a hypothetical royalty. The 2013 revision took away this choice and provided that the calculation, firstly, be based on the losses, and only if such proof was difficult to make, it should be based on the profits, etc.

The TML draft amendment will get back to the previous practice before 2013 by allowing the plaintiffs to select the method that suits it (TML amendment draft Art.77.1).

### **Evidence**

When the plaintiff requests to determine the amount of compensation based on the infringer's profits and has submitted all available evidence, the court may order the infringer to disclose the account books that show evidence of the profits obtained from the infringement; if the infringer refuses to submit evidence or is found to submit fake evidence, the court will determine the amount of compensation based on the claim of the right holder and the evidence on file. (TML 2019 Ar.63.2 and SPC September 2020 Art.9)

When determining the profits from infringement, the court is supposed to utilize the relevant data as well as the industry's average profit rate submitted by the parties, which is obtained from the industrial and commercial authorities, the tax authorities, third-party commercial platforms, and the website, publicity materials, or legally disclosed documents of the infringer (SPC September 2020 art.8).

### **Punitive Damages**

Since the TML 2013, the practice of compensation has greatly evolved, mainly due to the introduction of the concept of punitive damages. When the court finds that an infringement is intentional and the case is serious, the amount of damages calculated according to one of the methods provided in the law may be multiplied by a coefficient of 1 to 3 times. In the revision of the TML in 2019, the coefficient has been increased to 1 to 5 times. Please see further explanation in the next paragraph.

The SPC Interpretation of March 2021 specifies how to determine that the infringement is "intentional" (Art.3) and that the circumstances are "serious" (Art.4). The courts have clarified since then that punitive damages, i.e., the result of the multiplication of the compensation calculated according to the law, must be added to, and not included in, such amount = base amount + base amount x (1-5). The Wyeth case, the Raumplus case and the Vans case illustrate this practice.

### **Statutory Compensation**

According to Article 64 TML, when it is difficult to calculate the compensation by any of the methods provided in the law, the court may still determine the amount of compensation up to the statutory limit (RMB 5 million).

Where the infringement causes heavy losses to the plaintiff or the infringer gains huge profits, to fully compensate for the losses of the plaintiff and effectively deter the infringement, the court may, at the request of the plaintiff, determine the statutory compensation amount close to or at the maximum limit. The factors that the court will consider when determining the statutory compensation amount include: the intention, whether the infringement is the main business of the infringer, whether there is evidence of repeat infringement, the geographical scope, the duration, etc. (SPC September 2020, Art.11).

However, statutory damages cannot serve as the base amount for the application of the punitive damages provided by the law.

<sup>36</sup> The Opinions of the Supreme People's Court on Several Issues Concerning Intellectual Property Adjudication Serving the Overall Situation under the Current Economic Situation (Opinions 2009).

## Attorney Fees

The court is required, based on the evidence provided by the plaintiff, to comprehensively consider the factors such as the complexity of the case, the professionalism and intensity of the attorney's work, the practice of the industry, and the guided prices of the local government to reasonably determine the attorney fees claimed by the plaintiff. (SPC September 2020, Art.13)

## Malicious Litigation

Article 13 of SPC April 2020 and Reply SPC 2021 address the issue where a trademark holder abuses its right of litigation, which happens, for example, when the trademark is found to have been filed in bad faith and is eventually invalidated. The defendant is entitled to obtain attorney fees from the abusive party, and Article 84 of the TML amendment draft provides that the defendant is entitled to both compensation for the prejudice and attorney fees.

## Lawsuit Against Bad Faith Application

The TML amendment draft also provides for the possibility to launch a lawsuit against a “trademark squatter,” i.e., someone who has filed trademark applications in bad faith and caused the victim of such practice to suffer losses and expenses. In such an instance, it is possible to claim damages (TML amendment draft Art.83.1).

This was already a practice accepted by the courts and the claims were based on the Anti-Unfair Competition Law. One of the cases even went as far as prohibiting the defendant from applying for the registration of similar trademarks in the future as illustrated in the In-Sink-Erator / 爱适易 case.<sup>37</sup>

## Criminal Remedy

To improve the quality and efficiency of comprehensive protection, the Supreme People's Procuratorate also pointed out in February 2022 that it is necessary to explore criminal incidental civil litigation, and the **Stihl case** is an example.

Typically, trademark counterfeiting cases are public prosecution cases, but they can also be private prosecution cases under certain conditions, although very rare, such as the ABB case.

With regard to the protection of geographical indications, if the geographical indication has been registered as a collective mark or a certification mark, it can also obtain protection under criminal law, such as in the Bordeaux case.

## 2. Cases

### 1) The Wyeth/惠氏 Case

#### Summary

In *Wyeth v. Guan and Chen*, the Zhejiang High Court explained that punitive damages do not include the “base amount” established according to the law (losses of the plaintiff, or illegal profits of the infringer, or a reasonable royalty), but should be calculated separately and added to the base amount.

#### Case Facts

Wyeth (Wyeth LLC, USA) is the owner of the trademark “Wyeth” and the transliteration in Chinese “惠氏,” registered in China in Class 5, and designating products of baby food and baby milk powder. In 2010, a married couple, Guan and Chen set up a network of companies and began selling talcum powder, shampoo, diapers, feeding bottles, pacifiers, and other baby care products, using the same name Wyeth.

<sup>37</sup> In-Sink-Erator vs. Hemeiquan, Fujian High Court, September 27 2021, (2021) Minmin Zhong No. 1129



In 2011, Wyeth and its Shanghai subsidiary brought a lawsuit against Guan and Chen before the Guangzhou Intermediate Court on the grounds of trademark infringement and unfair competition. The trademark infringement claim was dismissed because the defendants argued that they owned the trademarks at issue in other classes relevant to the alleged infringing products. Even though the Guangzhou Intermediate Court and then Guangdong High Court ruled in favor of Wyeth on the ground of unfair competition and awarded an amount of RMB 50,000 as damages, they denied the plaintiff's plea of trademark infringement.

Later the trademarks registered by the defendants were invalidated and Wyeth asked the SPC to retry the case. In March 2020, the SPC upheld the plea of trademark infringement and ordered the defendants to stop the infringing activity and pay an amount of RMB 700,000. However, the defendants continued infringing.

In December 2018, Wyeth filed a new lawsuit with the Hangzhou Intermediate People's Court against the same infringers, requesting an amount of RMB 12.6 million (an estimation of the profits obtained by the infringers), plus punitive damages for an amount of roughly three times the amount of the profits, i.e., a total of RMB 30 million, and RMB 550,000 for the expenses incurred to stop the infringement.

### **First Instance**

On December 25, 2020, the Hangzhou Intermediate People's Court [(2019) Zhejiang 01 Minchu No. 412], ruled in favor of Wyeth and awarded the full amount of the claim RMB 30 million plus expenses of RMB 550,000.

### **Appeal**

The defendants appealed to the Zhejiang High Court. On April 26, 2021, the Zhejiang High Court ruled [(2021) Zhe Min Zhong No. 294] upholding the first instance judgment.

The court made a specific reference to the *Interpretation of the Supreme People's Court on the Applicability of Punitive Damages in the Trial of Civil Cases of Infringement of Intellectual Property Rights* which had been issued in March 2021, and described the criteria to be taken into account when deciding that an act of infringement is "intentional" and the circumstances of the case are "serious."

At the same time, the court explained how the amount of the proven prejudice should constitute the basis on which the multiplication is to be applied: "*The base amount and the punitive damages should be calculated separately. Therefore, the total amount of compensation to be paid by the infringer should be the base amount plus the amount of punitive damages. Since this court confirmed that 3 times shall be used as the coefficient to calculate the punitive damages, the total amount of compensation in this case should be 4 times the base amount. The court of first instance misunderstood this, and this court corrected it.*"

The court confirmed the first instance decision and awarded the amount of RMB 30 million and RMB 550,000 for expenses.

## **2) The Raumplus/德禄 Case**

### **Summary**

In *Raumplus v. De Lu*, the Suzhou Intermediate Court, having requested the defendant to disclose its account books, which the defendant refused to do, decided to support the claim for punitive damages submitted by the plaintiff. The judgment was upheld by the Jiangsu High Court.

### **Case Facts**

Raumplus Besitz-und Entwicklungs-GmbH & Co.KG (Raumplus Besitz) is the owner in China of the registered trademarks "Raumplus" and two trademarks "德禄" (De Lu) designating furniture products in Class 20 (the trademarks).

Raumplus Besitz granted a license to its affiliate company Raumplus GmbH to use the trademarks in China. Raumplus GmbH created, with a Chinese partner, two joint venture companies (the JV companies), one in Shanghai (Delu Furniture Shanghai) and one in Nantong (Delu Furniture Nantong).

Both JV companies operated under trademark license agreements granted by Raumplus GmbH. These agreements stipulated that upon expiry of their term, the JV companies would no longer use the trademarks and would change their names so that they would no longer contain “Raumplus” or the Chinese counterpart “德禄” (De Lu).

The license agreement eventually terminated and, to continue doing business in China, Raumplus GmbH granted a trademark license to Delu (Taicang) Furniture Technology Co. Ltd.

However, after the cooperation with the JV companies ended, the JV companies continued using the trademarks and even registered the domain name “Delu.com” to promote their own brands. After a number of unsuccessful warnings, Raumplus Besitz, Raumplus GmbH, and Delu (Taicang) brought a lawsuit against the two JV companies and their legal representative before the Suzhou Intermediate Court on the grounds of trademark infringement and unfair competition, claiming a financial compensation of RMB 50 million, which included an amount of RMB 28.1 million as justified by evidence, the balance being a request for punitive damages.

### First Instance

On October 26, 2021, the Suzhou Intermediate Court [(2020) Su 05 Minchu No. 271] ruled in favor of the plaintiffs, holding that the defendant had committed acts of trademark infringement and had also committed acts of unfair competition by using the name 德禄 (De Lu) with the intention to cause market confusion.

When determining the amount of compensation, the court ordered the defendants to submit financial information from their account books to determine the sales volume and profit margin of all their franchise stores across the country. However, the defendants refused to do. So, the court decided to impose an additional one-time punitive damage equal to RMB 28.1 million, for a total damages award of RMB 56.2 million. The court, therefore, awarded the full amount claimed by the plaintiff (RMB 50 million).

The defendants filed an appeal with the Jiangsu High Court.

### Appeal

On August 17, 2022, the Jiangsu High Court [(2021) Su Minzhong No. 2636] rejected the appeal and upheld the original judgment.

The court, in particular, developed the reasoning concerning the punitive damages, i.e., the defendants had continued to carry out infringements even after the plaintiffs had issued many warnings; during the litigation, they had registered a domain name identical to the trademarks involved; during the litigation, they had maliciously filed an invalidation action against the plaintiffs’ trademarks trying to delay the procedure; and finally, it was found that the legal representative of the defendants had registered more than ten trademarks identical or similar to the plaintiffs’ trademarks.

### 3) VANS case

#### SUMMARY

In *VANS v. Xuanwo et al*, the Ningbo Intermediate Court applied Article 63 of the Trademark Law of China considering that the defendants, having already been warned by criminal and administrative actions relating to the same acts of infringement, should pay punitive damages to the plaintiff. Starting from the calculation of the illegal profit, which was lower than the plaintiffs’ claim, the court multiplied the amount by three, which permitted the award of the full amount of the claim.

#### Case Facts

VANS, INC., is a shoes manufacturer and owns four trademarks registered in China in Class 25:

“  ” “  ” “ **VANS** ” and “  ”.

Rui An Xuanwo Shoes Co., Ltd. (Xuanwo) and its legal representative Gao had been convicted by a criminal court for the crime of counterfeiting the VANS trademark and sentenced to pay a fine (RMB 200,000). They were not deterred and continued the counterfeiting activity involving another company for the distribution of the products (Xi Se Wanmei Shoes Co., Ltd.). This company was raided and sanctioned by the administrative enforcement authorities.

VANS decided, then, to seek financial compensation for the prejudice suffered and sued the four infringers before the Ningbo Intermediate People’s Court. VANS estimated the profit derived from the infringement to be 50 percent of the average gross profit gained by its own licensee, Weifu (China) Clothing Co., Ltd. in the past three years. Therefore, as the evidence of the case revealed that the defendants had made sales for an amount of RMB 18,419,499.47, it was estimated that their corresponding profit was 50 percent of this amount, i.e., RMB 9,209,749. In addition, VANS requested the court to award punitive damages and submitted a total claim of RMB 16.2 million.

### **First Instance**

On December 5, 2022, the Ningbo Intermediate People’s Court issued a judgment [(2021) Zhejiang 02 Minchu No. 1866], affirming that the four defendants had jointly committed the alleged infringement and that the circumstances of the case were serious: the defendants had persisted in their activities despite previous criminal and administrative sanctions and their malicious intentions were definitely established. Therefore, the case warranted the application of punitive damages.

The court decided to multiply the amount of the damages calculated by the plaintiff (and justified by the evidence) by a coefficient of 3, reaching RMB 36,838,996. This amount exceeded the claim of the plaintiff (RMB 16.2 million) and the court awarded the amount requested by the plaintiff.

No appeal was filed.

### **4) The STIHL Case**

#### **Summary**

In *Stihl v. Ningbo Saw Chain Technology Co., Ltd. and three individuals*, the defendants pleaded guilty to the crime of counterfeiting a registered trademark and received a fine with a prison term subject to probation. Stihl filed an incidental civil claim seeking compensation, and the court ordered the company to pay an amount of RMB 500,000.

#### **Case Facts**

André Stihl AG (“Stihl”) is a German company specialized in the production of power tools for garden care and the construction industry. On September 14, 2000, Stihl registered in China the trademark “STIHL” in Class 7, designating products like “chainsaw and related special parts.” After long-term use and extensive publicity, the trademark was recognized many times as a well-known trademark by state administrative agencies and people’s courts of China.

Lu Peng Jun and others began to counterfeit “STIHL” chainsaws in 2014, using a company named Ningbo Saw Chain Technology Co., Ltd. Stihl filed complaints with the administrative enforcement agencies who conducted raids (three times) and issued penalties against the infringers. On January 8, 2020, the Public Security Bureau conducted a raid against the infringers and, on March 30, 2021, the Yuyao Municipal People’s Procuratorate prosecuted Ningbo Saw Chain Technology Co., Ltd., and three individuals for the crime of counterfeiting registered trademarks. The infringers pleaded guilty. During the trial, Stihl filed an incidental civil lawsuit.

#### **First Instance**

On April 9, 2021, the Yuyao Municipal People’s Court held a hearing and issued a judgment [(2021) Zhejiang 0281 Xingchu No. 352] adopting all the sentencing recommendations of the procuratorate. Considering that the infringers had pleaded guilty and voluntarily prepaid full compensation and fines, the court sentenced Ningbo Saw Chain Technology Co., Ltd. to a fine of RMB 120,000. The three individuals were sentenced to fixed-term imprisonment ranging from two to three years, and they were all subject to probation.

In this judgment, the court made a decision on the plaintiff’s claims in the incidental civil lawsuit. The court dismissed the case against the three individual defendants considering that, even though they were criminally liable for the crime of trademark counterfeiting, they had no personal civil liability in the context of a civil trial. Concerning the company Ningbo Saw Chain Technology Co., Ltd., the court considered that it was difficult to determine the actual losses suffered by Stihl or the profits obtained by the defendant. Based on factors such as the market value and popularity of the trade-

mark, the nature and circumstances of the infringement, the scale of the defendant's business, and the reasonable costs paid by the plaintiff in the civil action, the court determined that the defendant should pay an amount of RMB 500,000.

No appeal was filed.

This is the first intellectual property criminal incidental civil lawsuit case in Zhejiang Province.

## 5) The ABB Case

### Summary

In *ABB, v. Deaton and Zhang* the criminal prosecution case initiated by Customs was first dismissed by the Prosecutor on the basis of insufficient evidence concerning the intention of the exporter of a batch of counterfeiting circuit breakers. The trademark owner filed a private criminal complaint directly with the court and produced additional evidence proving the awareness of the counterfeiters, who were sentenced to prison and a fine.

### Case Facts

ABB (ABB Asea Brown Boveri Ltd.), a leading company in the field of global power and automation, is the owner of the trademark "ABB" registered in China in Class 9, designating products like circuit breakers.

In 2016, ABB received a notice from Customs informing that a batch of 165,480 circuit breakers bearing the trademark "ABB" was being exported by a company named Deaton corporation. ABB confirmed that the products were fake. The estimated value was RMB 8.66 million, which was higher than the criminal threshold (of RMB 50,000). Subsequently, the case entered the criminal prosecution procedure, but the Wuhu Development Zone Procuratorate believed that the evidence was insufficient to prove that Zhang Yefeng, the director of the company, was aware that the products were fake and decided not to prosecute.

ABB filed a criminal private prosecution with the People's Court of Wuhu Development Zone, requesting that the defendant Zhang Yefeng and the defendant company Deaton be held criminally responsible for the crime of selling goods with counterfeit registered trademarks. The court accepted the case.

### First Instance

On December 30, 2019, the People's Court of Wuhu Economic and Technological Development Zone made a judgment [(2019) Anhui 0291 Xingchu No. 97], affirming that the defendants had knowingly sold goods with a counterfeited registered trademark, and that the value of fake goods was significant. The company was fined RMB 850,000; the director Zhang Yefeng was sentenced to three years and six months in prison and fined RMB 800,000.

Both Deaton and Zhang appealed to Wuhu Intermediate People's Court.

### Appeal

On April 10, 2020, the Wuhu Intermediate Court (2020) Wan 02 Xing Zhong No. 62] rejected the appeal and upheld the first instance judgment.

The focus of the dispute in the second instance was whether Deaton Company and Zhang Moufeng knew that the goods involved in the case were bearing a counterfeited registered trademark. ABB produced evidence showing that the goods were, indeed, exported by Deaton Company, and witnesses unanimously confirmed that the owner of the goods was Zhang Yefeng. Regarding the question of whether Zhang Yefeng knew it, it was established that he had a false declaration to Customs and the court was satisfied that Zhang Yefeng, given his experience in the field, knew that the products he sold were bearing counterfeit ABB registered trademarks.

This is a relatively rare case of successful criminal private prosecution of intellectual property rights.



## 6) The Bordeaux Case

### Summary

The People's Court of Pudong New Area, Shanghai rendered a judgment that was the first criminal decision in favor of a foreign geographical indication registered as a collective trademark.

### Case Facts

The Conseil Interprofessionnel des Vins de Bordeaux (CIVB) is the holder of the geographical indication BORDEAUX registered as a collective trademark in Class 33 and designating the product of wines.

In 2019, the CIVB discovered at the Chengdu Wine Fair that a company named Shanghai Feitong Trading Co., Ltd. (Feitong) was exhibiting bottles of wine with the mark BORDEAUX together with a trademark BURKE LAFAEL registered by Feitong. A verification confirmed that these wines did not originate from the region of Bordeaux.

The CIVB filed a complaint with the Public Security Department of Pudong (in Shanghai), and the case was later transferred by the Police to Procuratorate of Pudong who filed the case before the People's Court of Pudong New Area, Shanghai, requesting that Feitong Company and its legal representative Zhuge Ruiyong be held criminally responsible.

### First Instance

The defendant tried to argue that since it had added its own trademark, the products were not exactly identical, and this difference should rule out the determination of crime. On June 4, 2020, the Court (2020) Hu 0115 Xing Chu No. 985] dismissed such argument.

Considering that Zhuge Ruiyong had surrendered himself and had spontaneously compensated the CIVB for an amount of RMB 175,000, which had been accepted by the CIVB, the court sentenced the defendant company Feitong to a fine of RMB 100,000 and, for its representative Zhuge Ruiyong, pronounced a sentence of one year and six months imprisonment subject to probation and a fine of RMB 50,000.

No appeal was filed.

This is the first case of criminal protection of foreign geographical indications in China.

# Appendices

## Appendix I

### INTA Submission to EU-China Intellectual Property Rights (IPR) Working Group

#### 1) TRADEMARKS

##### **Improvements to deter bad faith trademark registrations.**

INTA welcomes the new clauses tackling “Bad Faith Registration” introduced with the Fourth Revision of Chinese Trademark Law, which came into effect on 1 November 2019. Despite these welcome amendments and the undertaking of other steps aimed at addressing this issue, trademark owners have yet to experience measurable reductions in bad faith activity targeting their brands. Government-to-government engagement must continue to highlight this issue as one of the top priorities.

INTA also appreciates several updates to China’s legal measures addressing bad faith trademark applications following the 2019 amendments to the Trademark Law, including subsequent regulation issued by the State Administration for Market Regulation (SAMR) via *Several Provisions on Regulating Trademark Registration Applications*.

INTA suggests reviewing the effects of these amendments on the occurrence and handling of bad faith filings in China. Some questions our members have are:

- What legislative and regulatory developments are being considered to strengthen the ability of China National Intellectual Property Administration (CNIPA) to deter and react to bad faith trademarks?
  - Although Article 4 of the Trademark Law now includes explicit recognition that bad faith trademarks not intended for use are to be rejected, questions remain regarding the scope of this provision and its implementation. CNIPA and legitimate trademark owners would benefit from further clarity and enhancements. For example, what types of typical actions constitute bad faith and how to prove this? Trademark owners have experienced mixed results due to inconsistent examination practices regarding what constitutes bad faith and what sort of evidence is needed to support an allegation of bad faith.
  - We understand that recent cases in China have relied upon the Anti-Unfair Competition law to hold bad faith pirates liable for damages caused by their actions (including filing for marks in bad faith), can you share more on these developments or plans to further the agenda? This is a positive development but could be more efficient. For example, CNIPA and the Beijing Intellectual Property Court should have the authority to order a bad faith pirate to pay reasonable costs incurred by the legitimate trademark owner as part of the underlying case – the trademark owner should not have to initiate separate litigation for those damages.
  - Additional penalties must be assessed against bad faith applicants and the agents who assist them. The current penalties are insufficient to deter.
- In March 2021, CNIPA announced a six-month *Action Plan targeting Bad Faith Trademarks*. China should take the initiative to detail the results of this Action Plan and what next steps will be undertaken to prevent this from becoming a “one-off” endeavor.
  - What did CNIPA achieve through the Action Plan? How many bad faith trademarks were rejected or cancelled through this activity?
  - Part of the plan entailed summarizing and evaluating the activities carried out. Did you discover trends or types of activity that can inform CNIPA going forward? What were the “lessons learned” and how will you incorporate these into practice going forward?

We encourage both the European Commission and the Chinese Government to review the November 2020 INTA [Board Resolution](#) on Bad Faith Trademark Applications and Registrations and implement measures consistent with those enumerated therein.

**Statutory procedure for suspension of appeals should be guaranteed.**

Foreign brand owners noticed that during appeal procedures, examiners follow different and often inconsistent practices regarding the suspension of proceedings, most often rejection appeals. INTA urges CNIPA to follow a unified and flexible practice for suspension of appeals, especially when the conflicting trademarks, which based the rejection decision, were filed in bad faith and are being opposed or invalidated by the applicant. We understand the pressure of CNIPA to complete the cases within the statutory time limit, however according to the Trademark Law and Trademark Implementing Regulations, examiners shall have the discretion to decide whether the case should be suspended upon request. Suspending the rejection appeals when citations are in bad faith would be justified, cost-efficient and fair.

Further and as detailed in our previous submission, until amendments to the appeal process are made, the following steps should be taken:

- *Fast-track* invalidation actions should be established where conditions so warrant, notably where there exist clear signs the applicant filed in bad faith.
- Where there are clear indications that a trademark was registered in bad faith and an invalidation action has been filed against it, enforcement authorities should exercise greater care in applying enforcement measures pending resolution of the invalidation action.
- Trial measures should address groundless oppositions such as:
  - Rejecting these oppositions more promptly.
  - Allowing victims to claim compensation in civil court; and
  - Sanctioning trademark agents that file such oppositions.

### **Coexistence agreements**

In “ex officio” trademark systems which examine trademark applications on relative grounds, coexistence agreements negotiated between parties of potentially conflicting trademark rights can be used as a tool to overcome confusion objections based on an earlier existing similar trademark issued by the trademark office, and to thus facilitate registration.

Around the world different trademark offices adopt various differing approaches in dealing with co-existence agreements when considering the registrability of a trademark application. Some trademark offices are persuaded by the contents of a co-existence agreement between two parties and will take them into account, but other trademark offices will not give any weight to co-existence agreements, and they are disregarded.

What is important for brand owners is to ensure that each jurisdiction is consistent in the way their national trademark office will deal with a coexistence agreement. This will influence the conduct of the party and whether the often-extensive efforts required to negotiate a co-existence agreement are worthwhile.

Foreign brand owners report concerns that China’s trademark authorities previously gave considerable weight to co-existence agreements but that since a decision approximately one year ago, their treatment has become less consistent and, in many cases, it appears they have not been given any weight. We believe it would benefit the trademark community if the China Trademark Office (CTMO) would clarify its position on the acceptance of co-existence agreements, providing clear guidance.

### **Well-Known trademark (WKM) protection**

INTA appreciates that several updates to China’s legal measures addressing WKMs in its revised *Trademark Examination Guidelines*, including strengthened regulation through National Enterprise Credibility System, Letter of Commitment, and increased liability of evidence falsification.

A strong well-known marks (WKM) system serves as a valuable tool in combating bad faith trademark applications by preventing the registration or use of marks that are identical with or similar to well-known trademarks. Foreign brand owners report that despite China’s legal framework for protecting WKMs, in practice it remains exceptionally difficult to qualify due to strict standards as applied by Chinese courts and CNIPA. This is particularly true for small and medium-sized foreign brands that have little or no sales in China yet have high levels of global reputation. These difficulties create opportunities for bad faith actors to register or use marks that are, in reality, well known by consumers but are unable to receive WKM status under the law.

Considering the fast-developing technology and business methods impacting consumer awareness of and connection to brands, the WKM systems in China should be updated to reflect these changes and prevent bad faith actors from seizing the gaps of unregistered classes of goods/services in ways that harm legitimate owners.

INTA suggests reviewing the WKM systems in China. Some specific points to suggest and questions our member have are:

- As Chinese brand owners expand into global markets, they will benefit from stronger WKM systems overseas; with this in mind, would CNIPA support a global study of how different countries protect WKMs? INTA conducted a survey of how WKMs are protected in seventy-seven jurisdictions. We would welcome a chance to explore further how to build upon this study and create a more comprehensive analysis of WKMs frameworks.
- Protect WKMs against use on / registration for dissimilar goods and services.
- Consider the overall impression of a WKM (compare the entirety and the core components of the marks).
- Loosen requirements for domestic use and/or registration; allow WKM status to be built upon foreign use and even the prominence of a robust resale market.
- Consider extended protection to marks that are well-known in a foreign jurisdiction.
- Reduce reliance on indicators such as sales volumes, market share, advertising / promotional expenses, etc. Many businesses today intentionally limit production levels, which means low sales volumes and market share and rely on innovative advertising approaches that do not incur significant direct costs (such as consumer-driven promotion through consumers' social media accounts).

### **Non-traditional trademark protection**

Non-traditional trademarks are, by their nature, constantly evolving. Despite the lifting of graphic representation introduced in China's Trademark Law in 2013, there remains few applications of non-traditional trademarks mature to registration, largely because highly detailed and, in some cases, unclear description requirements or significant amount of evidence of acquired distinctiveness is required that can be prohibitively difficult to provide.

INTA suggests reviewing the non-traditional mark systems in China. Some specific points to suggest and questions our member have are:

- Clarification with respect to "position": Though "position" is not formally accepted as an independent type of non-traditional trademark in China, in practice, it is capable of functioning as trademarks directly connected with the product or service, and therefore should not be barred from registrability or precluded from protection, as evidenced by the Christian Louboutin case prosecuted in January 2020 and enforced in September 2022.
- Description requirements: trademark description, indicating how the mark will be used and is therefore of vital importance to determine the protective elements and protection scope of a non-traditional trademark, even when it is approved for registration, is not included in the publication or registration certificate, making it extremely problematic in subsequent enforcement actions or capacity to oppose or invalidate a registration on the same grounds as other trademarks.

## **2) COUNTERFEITING AND ENFORCEMENT ISSUES**

INTA welcomes the new clauses tackling counterfeiting related issues, introduced with the revision of the PRC Criminal Code, which came into effect on 1 March 2021. It's encouraging that the maximum penalty for trademark counterfeiting, selling counterfeit goods, making, and selling trademark labels, copyright infringement and trade secret infringement has been increased from seven years to ten years. The new revisions also clarified that counterfeiting can also apply to service marks.

### **Clarification in "illegal gain/profit" is lacking.**

Although the Criminal Code sends a strong signal on China's prioritization of cracking down IP crimes, we would like more clarity with respect to the threshold for selling counterfeit goods under Article 214 of the Criminal Code, in particular the change from "sales amount" to "illegal gain" for calculation of the criminal threshold. It would be concerning if the threshold be calculated based on the "illegal gain/profits" made from selling counterfeit products, making it extremely difficult for brand owners and authorities to pursue criminal actions against relevant offenders, as the sellers of counterfeit goods will be doctoring their books to keep their "illegal gain/profits" as low as possible to avoid criminal liabilities. INTA would recommend adjusting the criminal threshold to be calculated based on the volume and/or value of the counterfeit goods that have already been sold or have been acquired for the purpose of selling. Meanwhile, we believe further clarification is required with respect to the definition and scope of "illegal gain/profits" to ensure a consistent interpretation is adopted across China.

### **Criminal threshold for counterfeiting cases remains too high.**

INTA appreciates that the criminal threshold for trade secret has been lowered following the revised Criminal Code and the Judicial Interpretation III, however INTA notes that the criminal threshold set for other IP rights remains rigid, therefore having a negative



impact on IP enforcement. This issue continues as there is no change to such threshold: the sales value of counterfeit goods must reach RMB 50,000 (about USD 7,000), or the inventory value be more than RMB 150,000 (about USD 21,000) to be considered a crime. This results in a significant difference between criminal and administrative penalties for counterfeiting. Many counterfeiters, especially in the most sophisticated operations, are now careful to reduce the amount of counterfeit inventory to avoid these criminal sanctions.

Therefore, we restate our previous suggestion that the criminal threshold for counterfeiting cases be lowered so that sellers and producers of counterfeit goods are effectively prosecuted under the criminal provisions of the law. Moreover, in order to take counterfeiters' sophistication into consideration in avoiding the higher fines, the claimant should be allowed to present alternative evidence on the business operations and process of the infringer.

#### **Efforts to ensure consistent IPR enforcement should continue.**

INTA recognizes that effective administrative enforcement efforts has been made and the rate of recidivism appears to be decreasing. Accordingly, INTA commends the Chinese national administrative authorities for their actions and encourages continuation of their enforcement efforts.

INTA welcomes the updates to China's regulatory regime facilitating the coordination between administrative and criminal enforcement authorities following the SAMR's *Provisions on Administrative to Criminal IP Case Coordination*, where it clarifies the criteria of "a reasonable suspicion of a criminal case" on the transferring of administrative IP cases to criminal authorities.

However, we believe further clarifications are needed on the following aspects:

- 1) the indication of case facts and collection of evidence required.
- 2) the deadline to assess if the case can be qualified as criminal.

Furthermore, several INTA members have expressed concerns in terms of the practical difficulties in enforcing against fake retail stores across China. INTA appreciates the recent amendment of Criminal Code has extended the criminal sanction against the crime of counterfeiting registered trademarks to 'service marks,' however this still appears to be a new area lacking comprehensive guidance. In this regard, INTA looks forward to proactive approaches and bold enforcement actions to be taken by local authorities to send stronger deterrent message to infringers and to create a safer environment for Chinese consumers.

INTA believes that there is room for improvement where administrative enforcement is concerned and would like to encourage this collaborative dialogue to continue between the public and private sectors, but also between enforcement authorities, notably through promoting a more effective information sharing mechanism to ensure the consistency of IPR enforcement across China. Specifically, INTA would welcome a more effective collaboration between the local Public Security Bureaus and Customs officials to pursue criminal cases collectively. INTA has established fruitful relationships with all relevant enforcement authorities in China including SAMR, the Ministry of Public Security (MPS) and the General Administration of Customs (GACC) and would like to continue the dialogue on behalf of brand owners globally to discuss anticounterfeiting enforcement and improvements.

#### **Online counterfeiting**

INTA appreciates that several updates to China's legal measures addressing online counterfeiting, including the *Supreme People's Court's Opinion on the Trial of Intellectual Property Disputes Involving E-Commerce Platforms and Reply on the Application of Laws in Disputes related to Online IP Infringement* in July 2020, and most recently, the SAMR's e-commerce Law in 2021. These documents have provided useful guidance to bridge the gap of e-commerce Law and help balance out the rights and responsibilities among online sellers, platforms, legitimate rights owners, and consumers as a whole in the notice and takedown procedures.

However, we believe further clarifications are needed on the following aspects:

- Time period that an e-commerce platform has to take action after notification from a brand owner has been submitted to ensure it is dealt with in a timely manner.
- There appears no mechanism to allow the IPR holder to respond nor for the e-commerce platform to deny the request to relist, even where this information is clearly false.
- Although the deadline for IPR holders to respond to a counternotification by initiating a lawsuit or administrative action was extended to 20 days, this requirement continues to operate in favor of infringers rather than IPR owners. Under this system, an IPR owner would be required to pursue on its own or through administrative channels even listings advertising one or two infringing products to prevent relisting.

We continue to urge that subsequent regulations implementing the e-commerce law should reflect the current status quo to (1) give platforms discretion to evaluate and reject seller appeals when appropriate, and (2) maintain the enforcement action until the matter is resolved by a court or arbitration body, with IPR holder bearing costs/damages if the court finds the takedown was not made in good faith.

Additionally, INTA notes that it is difficult for brand owners and enforcement authorities to obtain accurate information on the identity of online counterfeiters, which operate under multiple, seemingly unrelated accounts, from the major e-commerce platforms. This has an impact both on online enforcement and possible online to offline enforcement actions. Thus, we restate our position to insert a provision enabling IP owners to obtain identity information from ISPs, registrars, and e-commerce websites upon proving (1) the existence of an IP right and (2) the prima facie infringement of that IP right by the web shop exploiter in question, and we hope that it would effectively address these concerns.

INTA is also pleased to see that social medial platforms can now be regarded as platform operators under the SAMR's revised *Measures for Regulation of Online Trading*, which is effective from May 1, 2021.

#### **Enforcement by courts should continue improving.**

There have been improvements regarding the courts' understanding and respect for IP infringements. Specialized IP courts have been set up in Beijing, Shanghai, Guangzhou, and Hainan. Twenty-seven Specialized IP Tribunals have also been established. Furthermore, each of these courts/tribunals requires that their judges must have significant IP experience. This is a positive development greatly welcomed by INTA, as is the creation of the new Internet Courts in Hangzhou, Beijing, and Guangzhou with exclusively virtual procedures for IPR cases related to the internet.

Courts should continue to be supported in their efforts to successfully address IP infringements and enforcement. We welcome China's courts to advance a system of efficiency, quality, consistency, and cost-effectiveness of decisions of disputed trademark matters through measures such as frequent and consistent professional continuing education, training and capacity building for judges, including participation in international conferences such as the INTA Annual Meeting, frequent research on emerging and contentious issues in partnership with industry and other stakeholders, exploring the advantages of a unified appeal court dealing with trademark-related cases, or broader adoption of case precedence and adherence to guiding or leading cases.

We appreciate several updates to China's legal measures addressing punitive damages awards, introduced officially with the amendment of Civil Code and stipulation in Patent Law and Copyright Law respectively, and further clarified in the Judicial Interpretation on the Application of Punitive Damage Awards in the Adjudication of Civil IP Infringements issued by the Supreme People's Court. These are welcoming trends to the brand owners and IP practitioners globally, notably the application of cease-and-desist letter in the overall consideration of "malicious intent". We are also seeing a clear increase of cases where the courts awarded the damages close to or equivalent to the maximum amount allowed by law.

Enforcement by courts could be further improved in several areas. We emphasize recommendations included in INTA's previous submissions:

- IP courts should improve their efficiency in dealing with civil litigations. Courts should be less reluctant in issuing preliminary injunction orders and evidence/assets preservation orders. This could enhance the efficiency of the IP judicial system. We encourage review of the November 2020 INTA [Board Resolution](#) on Harmonization of Preliminary Injunctions Legislation and implement measures consistent with those enumerated therein
- Rigorous documentary requirements (e.g., notarisation and legalisation) are considered unduly onerous and lead to increased costs. The Supreme People's Court recently issued "Several Provisions Concerning the Online Case Filing Services for Foreign Litigants" to ease some of the difficulties encountered by foreign litigants in the submission of the documents concerning their identification and the Power of Attorney (POA) to their Chinese attorney. It indicates that once a foreign litigant is registered on the unified platform, it is possible for the litigant to appoint a lawyer via an online video meeting that brings together the signatory of the POA, the lawyer and the judge. However, these provisions only apply to the first instance of civil cases, rather than administrative litigations, where foreign stakeholders are affected disproportionately.
- The relatively short and non-extendable court deadlines are perceived to be inflexible. Considering the global pandemic, we urge more flexibility be exercised to brand owners and practitioners globally to respond to official action deadlines.
- The penalty against submission of false evidence in China is not very dissuasive. For civil litigation, fines, up to RMB 100,000 (approximately USD 14,000) against an individual and RMB 1 million (approximately USD 140,000) against a company may be imposed if it is proven that false evidence has been submitted. However, in an administrative litigation, such as where the revocation of a trademark based on non-use is at stake,

the fines sanctioning the submission of false evidence of use is limited to RMB 10,000 (approximately USD 1,400).

- In China, the service of documents is performed by courts. When, as it often happens, the defendant cannot be found, or simply refuses to accept the documents, the court needs to go through several stages of procedure (including publication in the press) to ensure all measures are exhausted to inform the defendant. This can take months, which benefits the defendant and more damage incurred on the plaintiff. To make things worse, even a clerical mistake by the court in the service of the documents may cause further delays and aggravate the damage. Thus, streamlined procedure is necessary. It may involve considering the last registered address of the person/entity concerned as the only address on the official record in the service of documents.
- The transfer of case files from the first instance court to the appeal court can take several months or even years. This may exacerbate delays for cases involving foreign parties, due to the undefined trial period under the Civil Procedural Law.
- In accordance with the law, it is possible to file, with the criminal court, a claim for damages on IP infringements. In practice, this is always refused, and the plaintiff must start a separate civil litigation. Similar to the administrative procedure, case law showed that Chinese courts refused to incorporate incidental civil claims into an administrative litigation concerning the granting of an IP right. It would be more cost-efficient to imbed the incidental civil claims in criminal/administrative procedures.

We encourage review of the November 2020 INTA [Board Resolution](#) on Proceeds of Counterfeiting and implement measures consistent with those enumerated therein. For INTA's policy advocacy submissions, see [here](#).

### 3) DESIGNS

#### **Request for patent evaluation report under the proposed Article 56 of Implementing Patent Regulations**

We recommend that some mitigating changes and clarifications to the proposed Article 56 of Implementing Patent Regulations (which was based on Article 66 of New Patent Law) should be introduced to avoid the misuse of patent right evaluation report. Such mitigating changes/clarifications may be able to be introduced in future Implementing Patent Regulations or Patent Examination Guidelines.

Under the draft modified Article 56, any entity or individual may request a patent right evaluation report (where previously only the patentee could request this report). There are concerns that this could open the door to misuse of the evaluation report system by bad-faith actors. Moreover, this change could substantially increase the cost and complexity of obtaining effective design patent protection in China (e.g., preemptive filing). The burden on CNIPA to process the increased number of requests from both patent owners and third parties will be significant and this increased burden could negatively affect the quality and consistency of evaluation reports, which could decrease the fairness of patent infringement dispute outcomes.

Nevertheless, it was proposed in Chapter 10, Part V of Draft Patent Examination Guidelines (2021) that only the patentee, interested parties and the alleged infringer may be entitled to apply. The changes are not settled, but we consider that the proposal in the Draft Patent Examination Guidelines (2021) (in line with Article 66 of New Patent Law) will prevail over the proposed Article 56 of Implementing Patent Regulations.

#### **The protection of Graphical User Interfaces (GUI)**

China Patent Law currently requires the GUI design to be filed together with equipment, which makes the protection scope narrow. INTA would thus suggest that the GUI is purely the interface so that the protection scope would be broadened.

Nevertheless, a one-side view of the product with GUI is accepted and the title of the product could be a display with GUI. For instance, CNIPA allows the applicant to file one orthographic view of the display panel that comprises the GUI if the key design element merely lies in the GUI itself. Article 27 of Draft Implementing Patent Regulations proposes that a view of the overall product shall be submitted for a partial design patent application, and a combination of broken lines and solid lines or other means shall be used to indicate the subject matter of protection. The Draft Patent Examination Guidelines (2021) proposed that application for protection of partial GUI, such as "a search bar of mobile payment GUI of mobile phone" or "a search bar of mobile payment GUI for electronic devices", can also be made, provided that a description on the key points of the design, which is compulsory, is provided, and where necessary, the use of the partial design is indicated in the brief description of the application. The general approach to indicate a partial design should also be applicable for a partial design of GUI, i.e. use of a combination of broken lines and solid lines or other means.

Although the applicant is required to exhaustively list all products on which the GUI is applied, this practice has removed the requirements of limiting GUI to a specific product which can be considered as an adjustment to allow more broadened protection scope of GUI, which should be commended.

Nevertheless, the scope of protection is still narrower than pure GUI. In accordance with INTA's [Model Design Law Guidelines](#) and [Guidelines for Examination of Industrial Designs](#), we recommend that GUIs be capable of registration in and of themselves without requiring them to be placed on a physical article. In two cases dated December 30, 2021, the Shanghai IP Court repealed the physical article requirement in *Kingsoft v Menjia* and *Kingsoft v Chubao* in GUI design infringement determination. If the opinions of Shanghai IP Court are supported in the future judicial interpretations of the Supreme People's Court of China, it would be a huge progress for protection of GUI in China.

### **The protection of partial design in China**

Article 2.4 of the new Patent Law introduces the protection of partial design in China for the first time, i.e. local shape, pattern of a product or combination thereof is also patentable. The amended draft Patent Examination Guidelines already include partial design. The modified Article 27 of draft Implementing Patent Regulations requires the applicant of the partial design to submit a view of the overall product, and use a combination of dashed and solid lines or other means to indicate the content to be protected. Furthermore, the modified Article 28.3 requires the applicant to specify the partial design that is required for protection in the brief explanation if necessary. However, the exact proceeding and required documents or information for partial design registration in China is currently still unclear.

### **Shorten examination period**

Generally, it takes around six to eight months for the CNIPA to review patent applications for designs, for merely formal examination rather than substantively. Months of waiting is time-consuming for those industries updating their designs on a regular basis, such as clothing industry and furniture industry, and difficult to seek legal protection timely based on the patent rights. We believe it will benefit the users of design system in China if the examination period can be shortened or facilitated, or if the CNIPA can establish a white list for prior art examination for those specific industries. INTA continues to recommend guidelines on the process and basis for prior art examination be introduced in order to increase clarity, consistency and legal certainty.

### **Grace Period**

Pursuant to Article 24 of PRC Patent Law, a design application will not lose its novelty if it is filed with CNIPA within six months under four prescribed circumstances: (1) during a national emergency/extraordinary situation for the public interest; (2) exhibited at an international exhibition held or recognized by China government; (3) at a prescribed academic or technological conference; and (4) by others without authorization. The circumstance (1) above is newly introduced under the revised Patent Law.

Grace periods during the design registration process protect independent inventors, SMEs, and large companies in a whole range of fact patterns where disclosures occur before an application is filed. Having a grace period prevents inadvertent forfeiture of rights for creators and therefore would not extend a pass for third parties to make knockoff products with immunity. Many countries around the world have instituted grace periods for these reasons. In accordance with Chinese law, grace period in China is limited to very few situations, notably, international exhibition and academic conferences recognized by CNIPA. In addition, the six-month gap between international practice and Chinese law may lead to certain design subject matters (which enjoy grace period in other jurisdictions) not being granted. INTA continues to advocate for the introduction of a general twelve-month grace period, applicable to all situations, allowing registration of a design within twelve months of an initial use or disclosure of the design by the proprietor or as a result of information obtained from the proprietor.

### **Deferral of Publication**

There is currently no formal mechanism for deferment of publication of design application in China. Designers often wish to retain secrecy of their designs until the product is ready to launch. To render such option possible, under its Model Design Law Guidelines and Guidelines for Examination of Industrial Designs, INTA supports the possibility to defer publication of a design. Moreover, the existence of varying grace periods (or none) in different jurisdictions requires provisions allowing secrecy of a design, for at least twelve months. Accordingly, INTA welcomes the introduction of the possibility to defer the publication of a design and recommends that the permitted deferment period be fixed at a minimum of twelve months after the date of application.

### **Consistency of the CNIPA's approach regarding grouping designs together**

There continues to be a divergence of practice between CNIPA and practitioners on grouping designs together. If a cluster of designs are sufficiently similar, CNIPA will require the applicant to prosecute them together, and specify one of the designs as the basic design in the brief explanation. If the applicant files them together, and CNIPA thinks they are not sufficiently similar, the applicant will be asked to split them up. Neither the revised Patent Law nor the draft Examination Guidelines touches on grouping designs. Consistency of CNIPA's approach would be much appreciated to bring clarity as to what is needed.



### **Allowing multiple designs application**

Pursuant to the unity requirement provided in Article 31 of PRC Patent Law, a single design application shall only contain one design subject matter, with the exceptions of (i) the similar designs of one product, or (ii) designs for products of the same class and sold/used in sets. Article 35 of Implementing Regulations of PRC Patent Law further imposes that exception (i) mentioned above is up to ten similar designs in one application and clarifies that the “same class” stipulated in exception (ii) refers to the main class (i.e., Classes 1-32) and the designs are customarily sold or used at the same time and of the same design concept. The difference between international practice and China often results in international applicants being required to amend the application in China or file divisional applications to overcome the unity issue.

INTA supports applications for multiple designs to be included in a single application. The general interest in design protection has been exponentially growing over the years. Therefore, access to design protection should be facilitated, especially for SMEs and multiple design applications are beneficial, particularly, in terms of cost/benefit. In view of the aforesaid, INTA considers that substantial cost and administrative savings can be made to users through the filing of multiple designs in a single application (“multiple application”) and therefore recommends that Intellectual Property (IP) Offices allow the filing of such multiple applications even if the designs will be individually examined and granted. This has the potential to decrease the administrative burden and costs for applicants, such as the ability to file a single Power of Attorney or Assignment of all designs in the same application. INTA further recommends that IP Offices do not require that the designs within a multiple application need to be in the same class.

### **Further extension of design patent duration**

Upon the new PRC Patent Law effective on June 1, 2021, a registered design patent in China is valid up to fifteen years from the date of filing, i.e., the lowest requirements of Hague Agreement. INTA supports the term of protection to be of at least fifteen years from the application. A twenty-five-year term of protection would bring the span of protection in China at par with other jurisdictions (e.g., European Union, UK, Japan, etc.).

### **Considering more rights conferred by a registered design**

According to Article 19(1) of the CDR, a registered community design confers on its holder the exclusive right to use, which covers making, offering, putting on the market, importing, exporting, or using of a design product. However, in China, infringing acts only expressly include the acts of making, offering for sale, selling and importing as set out in Article 11 of PRC Patent Law. It appears that not including “using” for design infringement is designed to balance public interests, and the protection of “making” and “selling”, etc. is considered sufficient for designs.

Thus, the mere use of a product made and sold by third parties illegally reproducing a registered patented design, without a license, cannot be sued for direct infringement in China. This may be different from other jurisdictions, and design patentee in China should focus on the behaviors of manufacture, offering for sale (such as advertising), sale and importation during the investigation for the purpose of preparing and bringing infringement proceedings.

### **Clarity on bad faith application**

Article 20 of the new PRC Patent Law introduces the principle of good faith in respect of the application and enforcement of design rights in China in response to the prevailing abusive applications in China.

Though the language of Article 20 may be broadly defined, the *Draft Implementing Regulations of Patent Law (2020)* and *CNIPA's Measures for Regulating Patent Application Activities (2021)* have respectively spelled out the circumstances in which bad faith may be considered under the Chinese law. In parallel with legislative measures, it is equally important to ensure legitimate rights holders will not be inadvertently harmed.

### **Administrative injunctions against design infringements should be introduced at national level**

Administrative enforcement against patent infringement is relatively fast but not fast enough especially online. In June 2021 the Shenzhen Administration for Market Regulation (Shenzhen AMR) issued the first-ever provisions on administrative injunctions against design infringements, online infringements included. It was a revolutionary provision, meaning without the need to prove irreparable damage, rights holder may seek quick relief by filing simply administrative complaints. By doing so, infringement is put an end within twenty-four hours from the filing of the complaint by the rights holder, which effectively provides remedies for design enforcement in China. Following in the footsteps of Shenzhen AMR, similar regulatory efforts are made in other cities and provinces, for instance the Hainan Free Trade Port “*Regulations on the Protection of Intellectual Property Rights*” on December 1, “*Shantou Special Economic Zone Regulations on Intellectual Property Protection (Draft for Comment)*” on April 19, and “*Shanxi Province Intellectual Property Protection Regulations (Draft for Comment)*” on July 23, 2021.

We believe such crucial reforms are useful and should be taken up at higher national level to ensure consistent implementation nationwide. It will also supplement takedown measures by platforms, especially in the contentious proceedings.

## Appendix II

### Referenced Sources

- [CHINA: Beijing High Court Issues Guidelines for Awarding Punitive Damages - International Trademark Association \(inta.org\)](#)
- [CHINA: Appellant Loses Trademark Infringement Dispute Over Bad Faith and Abuse of Rights - International Trademark Association \(inta.org\)](#)
- [CHINA: Punitive Damages Awarded in Civil Case - International Trademark Association \(inta.org\)](#)
- [CHINA: Milestone Reimbursement of Expenses of Trademark Administrative Actions - International Trademark Association \(inta.org\)](#)
- [CHINA: Bad-Faith Case Puts Agents' Role in the Spotlight - International Trademark Association \(inta.org\)](#)
- [CHINA: Malicious Trademark Applications Affect Good Standing - International Trademark Association \(inta.org\)](#)
- [CHINA: New Balance Awarded Millions in Final Judgment - International Trademark Association \(inta.org\)](#)
- [CHINA: British Car Brand BENTLEY Wins Litigation and Administrative Decisions Against Infringing Trademark Applications - International Trademark Association \(inta.org\)](#)
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- [CHINA: Sale of Parallel Imported Goods Not Infringement - International Trademark Association \(inta.org\)](#)
- [CHINA: Curbing Malicious Trademark Oppositions - International Trademark Association \(inta.org\)](#)
- [CHINA: General Violations Judgment Standard for Trademark - International Trademark Association \(inta.org\)](#)
- [CHINA: Court Reform on Retrial Underway - International Trademark Association \(inta.org\)](#)



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