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In the dynamic landscape of the China trademark law system, the divergence of the long-drawn-out law amendment drafting and the consultation process and real-life practice has given rise to complex legal, regulatory, and strategic challenges. As a result, navigating the case precedents provides a fresh perspective for brand legal practitioners to consider when enforcing their trademarks in China.

The session, **China Case Law Update—Navigating the Case Precedents: Exploring the Interplay Between Law Amendment and Real-Life Practice**, takes a bird's-eye view of milestone cases—ranging from prosecution to litigation, and cutting across bad-faith filing, imposed sanctions, and injunctive relief—and provides insider analysis of the impact on the pace and shape of trademark rights protection in China.

Recent Chinese case decisions highlight several interesting trends:

- An overly strict approach of absolute grounds examination and intent-to-use requirements;
- The recognition of well-known marks and co-existence agreements, and an expanded protection of prior rights;
- The cross-class protection afforded to geographical indications;
- The misuse of intellectual property (IP);
- Keyword-based advertising; and
- A rigorous application of base calculation in damages awards and the continuous exploration of criminal incidental civil litigation.

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 the International Trademark Association (INTA) has 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 and from all industry sectors in and outside 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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- Christopher Shen, NTD IP Attorneys (Beijing, China)
- Carol Wang, Lusheng Law Firm (Shanghai, China)
- Helen Xia, Hogan Lovells (Beijing, China)

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

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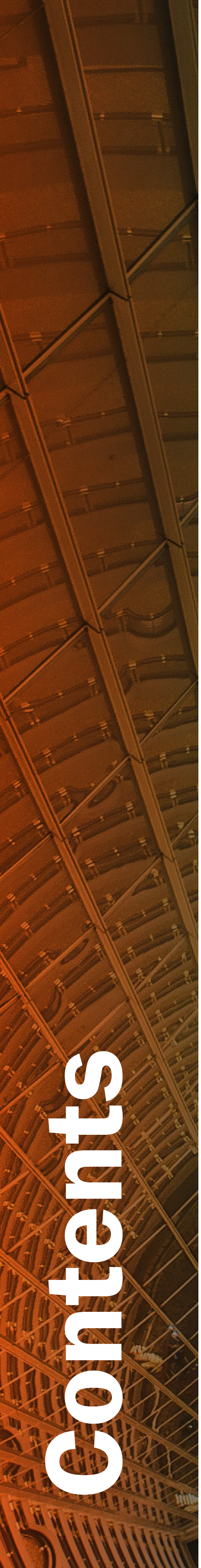

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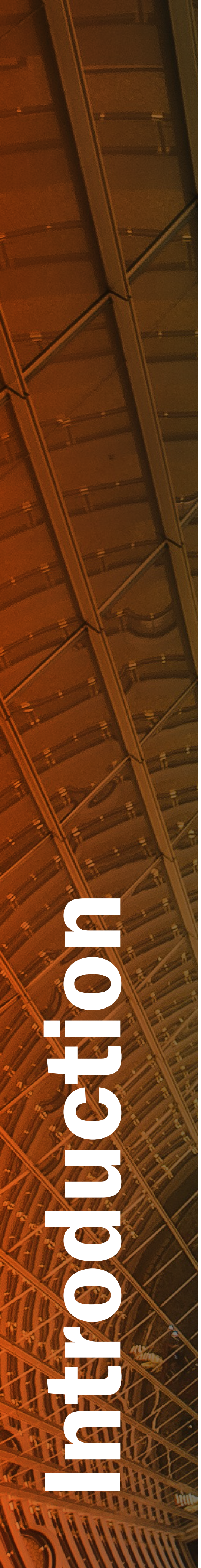

In line with INTA's strategic direction to promote and reinforce the value of brands, and considering the increasingly important role China plays in the worldwide IP ecosystem, INTA has been developing content and programming to keep the global trademark community current on the ever-evolving IP policy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

This China Case Law Annual Review (the Review) expands upon the **China Case Law Update** session, which took place at INTA's 2024 Annual Meeting, with in-depth analysis of recent case developments and policy and legislative changes. The Review covers the now familiar trademark issues of "absolute" grounds, including validity, distinctiveness, and descriptiveness, as well as "relative" grounds, including similarity and confusion, co-existence agreements, right of publicity, and merchandising rights. It also delves into topics such as infringement, defenses and limitations, what qualifies as use in commerce, and punitive damages—with some notable cases illustrating changes in practice and procedure. In analyzing the trademark developments of the past few years, it would be fair to say that the continuing relevance of bad-faith filing of trademarks cuts across the entire structure of trademark protection in China, and the Anti-Unfair Competition Law is playing an increasingly important role in addressing this issue.

Two specific changes in procedure worth mentioning are (1) the availability of retrial cases heard by the Supreme People's Court (SPC); and (2) the availability of suspension of review cases adjudicated by the China National Intellectual Property Administration (CNIPA). These developments signal a new dawn for the upcoming amendment.

As is usually the case, after years of amendment drafting and consultation, the amended law is far from being a certainty. Despite that, the evolving case precedents and judicial practice are, encouragingly, leading the charge in resolving the issues underlined in the current draft amendment.

CHINA CASE LAW ANNUAL REVIEW

I. ABSOLUTE GROUNDS FOR REFUSAL OF REGISTRATION AND TRADEMARK CANCELLATION

1. Introductory Comments

Absolute grounds relate to the inherent characteristics of a trademark, its registrability, distinctiveness, and scope, to the extent of what is referred to as the "the essential functions" of trademarks, that is, to identify the exclusive source of the goods or services for which registration is sought. Absolute grounds for refusal of registration 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.

Absolute grounds for refusal and cancellation in China's Trademark Law (TML) mainly include the following:

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

2. Cases

1) The *Zeekr* Case:[1] Rejection on the basis of bad faith and no intention to use under Article 4(1) of the TML

Summary

This case from the Beijing High People's Court provides a clear illustration of the criteria outlined in Article 4(1) of the TML,[2] requiring both "bad faith" and "no intention of use" cumulatively for a rejection by CNIPA on this basis. It emphasizes that CNIPA should not solely rely on the volume of filings by an applicant to determine the application of Article 4(1), as demonstrated by Geely's application for more than 900 marks within a short time frame. This case highlights how to distinguish between mere high-volume filings and the absence of genuine intent to use a trademark.

The court particularly examined various pieces of evidence, which sufficiently demonstrated the company's usage or intention to use the trademark for goods such as luggage, backpacks, and umbrellas. Additionally, the court considered factors such as the company's scale, business scope, and development trajectory as evidence of genuine intent to use the trademark. Consequently, the Beijing High People's Court ruled to overturn the previous decisions and instructed CNIPA

[1] (2023) Beijing Hangfin No. 2889

[2] **Article 4** Any natural person, legal person, or other organization needing to acquire the right to exclusively use a trademark on the goods or services thereof in the course of business operations shall apply to the Trademark Office for trademark registration. A bad faith application for trademark registration for a purpose other than use shall be rejected. The provisions of this Law regarding goods trademarks are applicable to service trademarks.

to reconsider the case. This case was selected as one of the 30 Typical Cases of Thirty Years of Specialized Intellectual Property Trials (1993–2023) by the Beijing High People's Court.

Case Facts

On February 25, 2021, Zhejiang Geely Holding Group Co., Ltd. (Geely) submitted a trademark application (No. 53870470) for the mark ZEEKR, intending to cover products such as suitcases, umbrellas, and backpacks in Class 18. However, CNIPA determined that Geely's filing, against the backdrop of more than 900 other filings within a short time frame, exceeded the bounds of normal business activities and constituted a bad-faith application for trademark registration, lacking genuine intention to use, thus contravening Article 4(1) of the TML. As a result, CNIPA rejected the application.

Geely pursued an appeal against CNIPA's decision with the Beijing Intellectual Property Court, which upheld CNIPA's ruling, taking into account the large filing volume in a short time frame. Subsequently, Geely filed a second appeal with the Beijing High People's Court.

Court Judgments

The Beijing High People's Court emphasized the necessity for trademark applications to align with genuine business needs, aiming to prevent the hoarding of trademarks without the intent to use, which disrupts the registration process. Acknowledging the difficulty in assessing subjective intent directly, the court outlined criteria for determining the applicability of the constitutive elements for Article 4(1), namely, "not for the purpose of use" and "bad faith," which apply cumulatively when considering trademark applications. The court confirmed that the filing volume and frequency of applications beyond reasonable business requirements can indeed serve as objective indicators of bad-faith registration. In this specific case, despite the distinctive nature of the trademark applied for, the sheer volume of applications by Geely and its affiliates raised concerns of bad-faith registration.

However, evidence presented during litigation, including purchase orders, invoices, the ZEEKR app, ZEEKR subscription app, and notarized certificates-of-sale pages from flagship shops on Tmall and JD.com submitted by Geely, were sufficient to demonstrate the company's genuine intention to use the trademark for various goods. Additionally, the court considered factors such as the company's scale, business scope, and development trajectory as evidence of genuine intent to use the trademark.

The court also emphasized the need to balance the burden of proof on trademark applicants, advocating for a reasonable standard that does not unduly burden businesses. Ultimately, the court's decision highlights the importance of considering both subjective intent and objective evidence in trademark registration disputes, ensuring fair and lawful practices in the registration process.

Based on the additional evidence submitted during administrative litigation, the court concluded that Geely's trademark application did not violate Article 4(1) of the TML. Therefore, the court supported the company's appeal, overturning the previous decisions.

2) The *Hemopore*[3] and *Superdry*[4] Cases: Rejection of generic marks, descriptive marks, or nondistinctive marks under Article 11 of the TML

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[3] (2022) Beijing Hangfin No. 3127

[4] (2023) Administrative Judgement No. 2144

The following two cases illustrate the practical application of Article 11 of the TML,[5] which provides that generic marks, descriptive marks, or nondistinctive marks should be rejected, provided that such marks may still be registered if they have acquired distinctiveness through use.

The *Hemopore* Case

Summary

In this case, the Beijing High People's Court clarified that in its assessment, the applied mark HEMOPORE comprises two main elements, namely, HEMO, meaning "blood," and PORE, meaning "pores." According to the common perception among the Chinese public, this combination easily suggests the notion of a product related to blood and pores. Given that the trademark is designated for goods such as "pharmaceutical preparations," it must be considered to describe the function, use, and characteristics of the products. It is therefore challenging for the public to perceive the mark as a distinctive trademark capable of identifying the source of goods. Consequently, the Beijing High People's Court held that the Beijing Intellectual Property Court's initial determination was erroneous and reversed its judgment, finding the application unregistrable.

Case Facts

In the review decision concerning Application No. 44870033 for HEMOPORE, CNIPA determined that the mark, when used on designated pharmaceutical preparations, medical devices, and instruments, directly conveys the function and other characteristics of the goods. Consequently, CNIPA rejected the application under Article 11(1)(2) of the TML. Following this decision, the applicant filed the first appeal.

In its appeal judgment, the Beijing Intellectual Property Court analyzed the composition of the application, noting that "hemopore" is a coined term devoid of inherent meaning. While it can be dissected into the English words "hemo" and "pore," which bear relevance to the designated goods (i.e., pharmaceutical preparations, medical devices and instruments), the composite term lacks fixed structure in English or common usage within the relevant industry. Thus, the court concluded that HEMOPORE does not conform to established linguistic patterns or trade terminology and that the trademark at issue is not a trademark that directly expresses only the characteristics of the goods as stipulated in Article 11(1)(2) of the TML. The Beijing Intellectual Property Court thus overruled the decision of CNIPA.

Subsequently, CNIPA filed a second appeal with the Beijing High People's Court that later overruled the decision of the Beijing IP Court and maintained the decision of CNIPA, rejecting the registration of the subject mark in accordance with Article 11(1)(2).

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[5] **Article 11** The following signs may not be registered as trademarks:
(1) A sign only bearing the generic name, design, or model of the goods.
(2) A sign only directly indicating the quality, main raw materials, functions, uses, weight, quantity, or other features of goods.
(3) Other signs lacking distinctiveness. If a sign listed in the preceding paragraph has obtained distinctiveness through use and can be easily identified, it may be registered as a trademark.

Court Judgments

In this case, the Beijing High People's Court clarified that in its assessment, the applied-for mark HEMOPORE comprises two main elements, namely "hemo," meaning "blood," and "pore," meaning "pores." This combination easily suggests to the relevant Chinese public a product related to blood and pores. Given that the trademark is designated for goods such as "pharmaceutical preparations, medical devices and instruments," it must be considered to describe the function. Consequently, it becomes challenging for the relevant public to perceive HEMOPORE as a distinctive trademark for goods in this category, making it difficult to identify the source of the goods. The court of first instance erred in its determination, a mistake rectified by the Beijing High People's Court.

The Beijing High People's Court's decision has drawn public attention, and there are some different voices. Clearly the second instance court has used a very stringent examination standard in finding that the subject mark is descriptive, especially considering that the applied-for mark is a coined word. Even for the public of English-speaking countries, it is not common to use the two parts "hemo" and "pore" together, since "hemopore" does not have a fixed meaning. It is also arguable whether the applied-for mark HEMOPORE directly indicates the function of the designated goods or implies the characteristics of the goods but does not affect its function of identifying the source of the goods (and thus could be registered as a trademark in accordance with the Supreme People's Court's Rules[6]).

The *Superdry* Case

Summary

In this case, which does not involve the well-known apparel brand, the Beijing High People's Court determined that the applied-for trademark comprises SUPERDRY, SD, and an image. Translated into Chinese, the trademark has the meaning of "super dry" (i.e., very dry). When used on the designated goods like "desiccant; chemical preservative," its inherent distinctiveness is diminished as it clearly describes the function and use of the products. However, evidence presented by the company demonstrated that extensive use and publicity of the applied-for trademark logo in connection with the designated goods has enabled it to serve as a source identifier among the Chinese public. Given this evidence, the court found that the applied-for trademark had acquired distinctiveness through use and deemed the application sufficiently distinctive for registration in relation to the designated goods.

Case Facts

In the review decision concerning Application No. 47770736 for SUPERDRY, CNIPA interpreted the mark as potentially meaning "super dry," implying a descriptive nature when applied to the designated goods of desiccants. This interpretation led CNIPA to conclude that the mark directly

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[6] Article 11 of Rules of the Supreme People's Court on Issues Relating to the Hearing of Administrative Cases Involving Granting or Affirming Trademark Rights:

Where the sign of a trademark, merely or mainly, describes or stating the quality, principal raw materials, functions, purposes, weight, quantity, place of production, etc. of the commodities on which it is designated to use, the People's Court shall determine that the trademark falls under the circumstances provided for in Item (2), Paragraph 1, Article 11 of the Trademark Law. However, if the trademark or constituent elements thereof imply the characteristics of the commodities, which does not affect its function for identifying commodity source, such trademark does not fall under aforementioned circumstance.

conveys the functional use and characteristics of the goods, falling under Article 11(1)(2) of the TML. Subsequently, the applicant filed the first appeal.

The Beijing Intellectual Property Court, in Administrative Judgment No. 4422 of (2022) Beijing 73 Xing Chu Zi, revoked the appealed decision and instructed CNIPA to issue a new decision. However, CNIPA challenged this ruling by appealing to the Beijing High People's Court.

Court Judgments

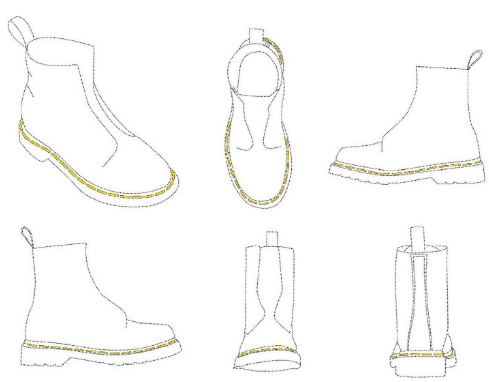
In its appeal judgment, the Beijing High People's Court dismissed the appeal and affirmed the ruling of first instance. The court held that the trademark in question, SUPERDRY, may indeed be interpreted as "super dry," suggesting some functional descriptiveness when applied to the designated goods. However, evidence provided by the applicant demonstrated extensive prior use and reputation of the trademark in various contexts.

The Beijing High People's Court accepted that before the application date, the applicant had already extensively employed the SUPERDRY logo across multiple platforms, including on desiccant products, supported by transaction records, advertisements, online presence, and corporate events. Additionally, market data indicated the brand's dominance in the global and Chinese calcium chloride desiccant markets from 2018 to 2021. Furthermore, certificates and declarations from relevant domestic and foreign entities supported the association of SUPERDRY with the applicant's desiccant products among the public. Additionally, instances of administrative penalties against third parties for unauthorized use of the SD and SUPERDRY trademarks, as well as infringement cases involving SUPERDRY, underscored the widespread recognition and popularity of the SUPERDRY desiccant brand.

Taking into account the comprehensive evidence presented, the court accepted that the applied-for trademark had been extensively and consistently used, causing it to serve effectively as a recognizable source identifier for the goods. Thus, the court held that the trademark possessed the distinctive characteristics required for trademark registration.

3) The *Stitching of Shoes* Case[7] and the *Pen Design* Case:[8] Registrability of 3D trademarks

***Stitching of Shoes* Case**



[7](2021) Beijing line final No. 5797, (2020) Beijing 73-line initial No. 14440

[8](2021) Beijing line final No. 8370, (2021) Beijing 73-line initial No. 2129

Summary

In this case, which was selected as one of 2022's top 10 trademark cases by the Beijing High People's Court, the court analyzed the applied-for 3D mark, which consisted of yellow stitching along the upper edge of a boot. The court held that the stitching forms a necessary component of footwear goods. The slight variations in thickness, length, and color of such stitching are typically imperceptible to the general public and do not inherently function as distinctive trademarks. The court held that to qualify for trademark registration, the applicant must demonstrate that the relevant public uniquely associates the edge stitching with the source of the goods, detaching it from its typical role as a component part. However, the evidence provided in the case failed to establish such distinctiveness.

This case serves as a quintessential example of evaluating the distinctiveness of a position mark. Given the inherent connection between the position mark and the goods, it is often challenging for consumers to perceive the position mark as indicative of the goods' source, because the position mark lacks inherent distinctiveness. Unlike 3D signs applied through packaging or container forms, proving the distinctiveness of a position mark through use is notably more arduous. The case extensively analyzed the criteria for determining the distinctiveness of a position mark, specifically the stitching on the shoe upper involved in the disputed trademark. It thoroughly examined the mark's composition, position definition, the characteristics of the goods, and methods of identification. The analysis underscored that proving the distinctiveness of a position mark necessitates demonstrating its departure from industry norms thereby altering consumers' cognitive habits regarding its status as an integral component of the goods.

This case offers valuable insights for assessing the registrability of such novel trademark types, providing a reference point for future examination and judgment.

Case Facts

In the review decision concerning Application No. 36939797 for "the stitching of shoes device," applied for by UK-based company Airwair International Limited, CNIPA determined that the applied-for trademark, intended for use on "shoes (footwear)" and other goods, lacked the distinctive features necessary for trademark registration. This assessment fell under the provisions of Article 11(1)(c) of the TML. Despite the evidence submitted by the company, which was deemed insufficient to establish the trademark's registrability, CNIPA rejected the application.

Subsequently, the applicant lodged the first appeal, which the Beijing Intellectual Property Court rejected. Undeterred, the applicant pursued a second appeal.

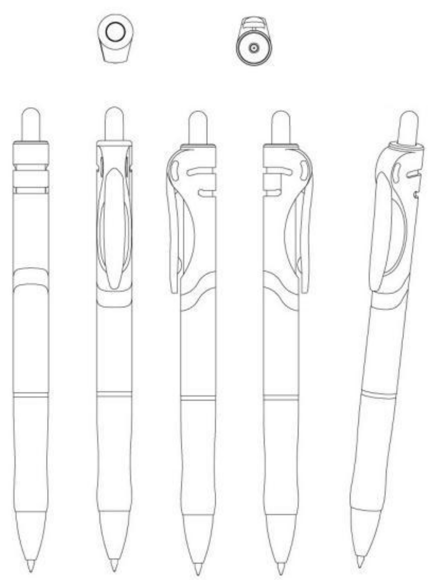
Court Judgments

In its appeal judgment, the Beijing High People's Court dismissed the appeal and affirmed the ruling of the first instance. The court delved into the specifics of the disputed trademark, which centered on the yellow stitching encircling the upper edge of a boot. Recognizing that this stitching constitutes a necessary component of footwear goods, albeit occupying a relatively inconspicuous portion and being commonly employed in footwear manufacturing, the court observed that the minor variations in stitching thickness, length, and color are typically indistinguishable and not distinctive to the average consumer. Moreover, the stitching featured in the disputed trademark is prevalent in various footwear types, making it challenging for consumers to associate it solely with a specific source and thus lacking distinctiveness as a trademark.

Given the location of the disputed trademark and the nature of the designated goods, the applicant needed to demonstrate that the public's perception of the edge stitching on the footwear had evolved beyond its role as a standard component and clearly indicated the source of the goods. However, the evidence presented in the case failed to illustrate the unique impact of the disputed trademark on footwear sales, failing to alter consumer habits or industry standards. Additionally, some evidence even revealed variations in stitching color, thickness, and spacing in some of the applicant's products, and which did not align clearly with the claimed design features of the applicant's trademark.

As a result, the court of second instance upheld the initial judgment, dismissing the appeal.

The *Pen Design* Case



Summary

In this case, which was also selected as one of 2022's top 10 trademark cases by the Beijing High People's Court, the court analyzed the applied-for 3D mark, which consisted of the shape of a pen. The court held that the 3D logo of the applied-for trademark consisted of 3D shapes required to achieve the inherent functions of the goods in an easier manner, and that it was therefore unregistrable because it constituted the "shape of commodities required for obtaining technical effects" as referred to under Article 12 of the TML.[9] The court also reiterated that a 3D mark that is found to be functional cannot be registered, even if it has been used for a long period of time or has acquired distinctiveness through use.

This case exemplifies a typical judgment concerning the functionality of a 3D logo trademark. Indeed, Article 12 of the TML aims to prevent the practical or aesthetic attributes of certain goods from obtaining indefinite protection through trademarks. The evaluation of functionality in 3D logo trademarks should consider the nature and attributes of designated goods, along

[9] **Article 12** Where the registration of a three-dimensional trademark is applied for, it shall not be registered if it is only a shape resulting from the nature of the goods, a shape of the goods necessary for achieving a technical effect, or a shape to add a substantive value to the goods.

with design norms within the industry. This ensures that the long-term exclusivity of a trademark doesn't impede fair competition among industry operators in shaping goods. The case meticulously examines whether the disputed trademark is functional from three key angles: (1) the characteristics of the designated goods and their industry context; (2) the availability of alternative designs preferred by consumers; and (3) the underlying purpose of the functionality principle. Such analysis holds significant reference value for adjudicating similar cases.

Case Facts

In the review decision for Application No. 36939797, applied for by Shanghai M&G Stationery Co., Ltd., representing the shape of a pen, CNIPA determined that the 3D sign of the pen represented the necessary shape for achieving technical effects, falling under Article 12 of the TML, which disallows registration. Although the applicant submitted evidence, it failed to sufficiently prove the mark's registrability. Consequently, CNIPA rejected the application for the mark on the designated goods. The applicant appealed the decision, but the Beijing Intellectual Property Court upheld CNIPA's ruling. Undeterred, the applicant pursued a second appeal.

Court Judgments

In its appeal judgment, the Beijing High People's Court dismissed the appeal and affirmed the ruling of the first instance. The court observed that the contested trademark was a 3D design resembling a pen, featuring distinct elements such as a split design into upper and lower pen barrels, connected by threads, and embellished with unique features like a curved pen clip, a crescent-shaped pen sleeve, and an S-shaped decorative ring. While these design elements enhanced user comfort and convenience, they did not alter the overall functionality of the pen. Although the trademark's design differed from that of conventional pens, the design of the applied-for mark still primarily served a functional purpose. The court noted that while the unique features of the trademark might be protected under the Copyright or Patent Laws (which, unlike trademark protection, do not grant potentially everlasting protection), the shape of the pen fell under the category of shapes necessary to facilitate the inherent functions of the goods, as outlined in Article 12 of the TML.

Consequently, the court concluded that the trademark's functional nature rendered it ineligible for registration, regardless of its prior usage. As a result, the court upheld the original judgment, dismissing the appeal in the second instance.

4) The *Mercedes* Case: Defining "registration of trademarks by other improper means" pursuant to Article 44(1) of the TML

梅赛德斯 (MERCEDES in Chinese)

Summary

In this case, Napoleon Company was identified as "maliciously hoarding trademarks," which falls under "obtaining registration by other improper means," as stipulated in Article 44(1) of the TML. In practice, the factors determining whether Article 44(1) should be applied include the following:

1. Does the registrant have a real intention to use the trademark?
2. Has the registrant sought to register trademarks identical or similar to those with significant distinctiveness or reputation in various classes of goods or services?

3. Is the registrant intending to seek unfair benefits?
4. Has the registrant infringed upon public interest, public order, or the orderly functioning of the trademark registration process?

This case is a typical example of combating the malicious hoarding of trademarks. The trademark registrant applied to register multiple trademarks in different classes of goods and services that closely resembled others' trademarks with strong distinctiveness or high reputation, clearly aiming to take a free ride on the reputation of others' famous brands and seeking unfair profits. The trademark registrant in this case applied to register more than 100 trademarks in multiple classes of goods and services, including dozens of trademarks identical to well-known automotive brands, which shows obvious malicious intent. Whether the disputed mark has been used or not is not relevant to a determination of bad faith.

Case Facts

On July 10, 2017, Napoleon Ceramics Co., Ltd. (referred to as Napoleon Company) applied for the trademark 梅赛德斯 (MERCEDES in Chinese characters, pronounced as MEI SAI DE SI; hereafter "the disputed trademark") in Class 19, to be used on the goods "tiles, etc." (Appl. No. 25239475). On September 26, 2019, Daimler AG filed an invalidation against the disputed trademark. CNIPA ruled that the registration of the disputed trademark constituted the situation referred to in Article 44(1) of the TML as "obtaining registration by other improper means" and declared the disputed trademark registration invalid.

Napoleon Company disagreed and brought a lawsuit to the Beijing Intellectual Property Court, which dismissed Napoleon Company's claims. Napoleon Company then appealed to the Beijing High People's Court, which made the final judgement to affirm the decisions of the lower court and CNIPA.

Court Judgments

The court found that from 2017 to 2020, Napoleon Company had applied to register 106 trademarks in various classes, including dozens of trademarks, such as 梅德赛斯 (MERCEDES in Chinese), MERCEDES, 迈巴赫 (MAYBACH in Chinese), MAYBACH, 乌尼莫克 (UNIMOG in Chinese), etc., which were identical with others' well-known car brands. The behaviors of Napoleon Company had clearly exceeded normal business needs and disrupted the smooth functioning of the trademark registration system, constituting improper use of public resources and seeking undue benefits, etc. Therefore, the registration of the disputed trademark violates the provisions of Article 44(1) of the TML and should be declared invalid. The decision of the first instance was affirmed.

5) The *Paris Baguette* Case: Proving secondary meaning of a famous geographic name used as a trademark

Summary

Although pursuant to Article 10 of the TML, famous foreign geographic names are not allowed to be used as trademarks. In this case, the evidence demonstrating the extensive use of the disputed marks has been considered as proof to support the claim that the geographic name contained in the marks has secondary meaning, which indicates the flavors of the goods rather than their source.

Case Facts

The two disputed trademarks in question are Regulation No. 6306376 in Class 30, covering the goods "bread, biscuits, and coffee, etc.," and Regulation No. 6306474 in Class 32, covering the goods "vegetable juice (beverages), fruit juice, non-alcoholic fruit-based beverages, etc."

Founded by its president Hur Young-In in 1988, Paris Croissant Co., Ltd. (referred to as Croissant), which is the owner of the trademark , has close historical and practical connections with France, and it is said that its main products such as bread and pastries have been highly recognized by the French government for their authentic French flavors.

Beijing Balibeitian Enterprise Management Co., Ltd. (Beijing Balibeitian Co.) filed invalidations against the two disputed marks based on the following three grounds:

1. The disputed trademark contains PARIS, while the owner, Croissant, is from South Korea. Therefore, the disputed trademark is deceptive as to the source of the goods, and its registration is against Article 10(1)(7) of the TML.
2. The disputed trademark contains a famous foreign city name and thus its registration is against Article 10(2) of the TML.
3. The disputed trademark is against the public interest and consequently the registration thereof is against Article 10(1)(8) of the TML.

CNIPA believed that although the disputed mark contains the word PARIS, the other composing elements thereof allow the relevant public to distinguish it from a common geographical name, and the disputed trademark is not deceptive and does not have any other negative influence.

Court Judgments

Beijing Balibeitian Co. appealed to the Beijing Intellectual Property Court, which held the following:

1. The disputed mark is composed of the words PARIS BAGUETTE and a design resembling the iconic Eiffel Tower. However, the applicant of the disputed mark is from Korea rather than France. Moreover, the word "baguette" refers to a style of French bread—a long thin loaf. The use of the disputed trademark on the designated goods could easily mislead the public into believing that the origin of the goods is Paris, France, or that the main ingredients, quality, etc., of the goods are related to Paris. Thus, the registration of the disputed mark violates Article 10(1)(7) of TML 2013.

2. Although the disputed trademark contains other words and graphic elements, the primary impression would still derive from the PARIS element of the mark. The addition of the element BAGUETTE is not sufficient to give the disputed trademark a distinctive feature that sets it apart from a geographic name. The public is likely to associate the disputed mark with the city of Paris. Thus, the registration of the disputed mark violates Article 10(2) of TML 2013.

3. The disputed trademark per se does not have any negative connotations, and thus no negative impact on the political, economic, cultural, religious, or ethnic environment, or other social public interests and public order. Therefore, the registration of the disputed mark does not violate Article 10(1)(8) of TML 2013.

Both CNIPA and the owner, Croissant, appealed to the Beijing High People's Court, which made the final judgment in favor of Croissant:

1. Though the element PARIS in the disputed mark is widely known to the public as the name of a famous city in France, the meaning of the other element, BAGUETTE, as "French bread, French-style long loaf" is not commonly known to the Chinese public. With the incorporation of additional graphic elements, the disputed trademark as a whole can be distinguished from a geographic name. Moreover, the evidence submitted by Croissant, including promotional reports, annual audit reports, sales operations data, and a market survey, can prove that the disputed trademark has a meaning other than as a geographic name. Furthermore, considering the taste, flavor, and short shelf life of the designated goods, the public will not associate the element PARIS in the disputed trademark with the city from which the goods originate. Therefore, the registration of the disputed trademark does not violate Article 10(2) of TML 2013.

2. The disputed trademark conveys a meaning distinct from a geographic name and doesn't mislead the public. The element PARIS conveys information about the quality and flavor of the goods; the production techniques, product characteristics, and flavors of the designated goods all indicate a close connection to France, but do not exaggerate the quality or other characteristics of the designated goods. Therefore, the registration of the disputed trademark does not violate Article 10(1)(7) of TML 2013.

Beijing Balibeitian Co. appealed to the Supreme People's Court for retrial, which sustained the decision of the Beijing High People's Court, rejecting the petition for retrial.

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 TML 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 (GIs);
- **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 others' prior rights and unregistered trademark rights.

Although there has not been much legislative change regarding relative grounds over the past year, the understanding, position, and practice of China's trademark administrative authorities like CNIPA and the courts with regard to relative grounds have seen continuous evolution, specifically, the following:

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 has become exceedingly challenging in recent years and follows the principles of: (a) case-by-case recognition, that is, 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, that is, 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, that is, the administrative authorities and courts 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 TML, the well-known recognition will be considered unnecessary. There is a better chance of recognition of a mark as a well-known trademark in administrative enforcement and civil infringement litigations.
2) Letters of consent: There have been some changes regarding CNIPA's attitude and position toward letters of consent since mid-2021. Essentially, 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 makes it more difficult for trademark applicants to overcome prior-cited similar marks. Consequently, the change of approach at the CNIPA level has led the courts to start taking a stricter approach in their examination of review on refusal cases involving letters of consent, both in formality and content.
3) Prior rights: CNIPA and the courts have started adopting a more open-minded position regarding the scope of prior rights under the TML. 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 certain criteria. This development provides more tools and legal grounds for brand owners to protect their rights under the TML.

2. **Cases**

1) **The *MUJI* Case: Conflict of rights between registered trademark and trade name with high market reputation**

Summary

This case is a typical case of resolving the rights conflict between a registered trademark and a well-known business name in the market. In this case, following the principles of honesty and credit, balancing rights and obligations, and avoiding confusion, the ownership of rights was determined based on factors such as the historical evolution of these trademarks and trade names, actual usage, direction of goodwill accumulation, relevant public awareness, and whether there was subjective malice. It was determined that the registration of the disputed trademark infringed upon the prior trade name rights of RK Japan.

This case protects the legitimate rights and interests of market entities engaged in honest business operations, effectively cracking down on malicious trademark registration behavior that relies on the goodwill of others to obtain improper benefits. It has guiding and reference significance for the trial of cases where a trade name is maliciously registered or maliciously attached to the goodwill of others.

Case Facts

Beijing Mian Tian Textile Co., Ltd. (Beijing MT) filed a trademark application for 无印良品 (MUJI in Chinese) (the disputed trademark) on May 21, 2015, under Application No. 16999994A, which was approved for registration on January 7, 2017. The designated goods are “Textile fabrics; Textile towels; Textile toilet covers; Textile furniture covers; Table blankets; Household plastic covers” in Class 24. Ryohin Keikaku Co., Ltd. (RK Japan) filed a request for invalidation of this trademark on the grounds that it violates Articles 13, 30, 31, 32, and 44(1) of the TML. After the trial, CNIPA maintained the registration of this trademark.

RK Japan was dissatisfied with the decision of CNIPA and filed an administrative lawsuit with the Beijing Intellectual Property Court. The court of first instance, after trial, held that the trademark 无印良品 (MUJI in Chinese) under No. 4471277 (cited mark) of RK Japan, constituted a well-known trademark in “sales (for others)” services, and the disputed trademark constituted a copy or imitation of the cited mark. Its registration was deemed to violate the provisions of Article 13(3) of TML 2013 and not to violate the other provisions. The court of first instance decided to revoke the decision and found that CNIPA should make a new decision.

Beijing MT was dissatisfied with the first instance judgment and appealed it.

Court Judgments

After trial, the second instance court held that although the cited mark did not reach a well-known level in “promoting (for others)” services, the evidence in the case proved that before the date of the disputed trademark application, the trade name—无印良品 (MUJI in Chinese) —of RK Japan had a high commercial reputation. Beijing MT had previously applied for multiple trademarks such as 无印良品 (MUJI in Chinese), WU YIN GONG FANG in Chinese, and had the subjective intent to attach to the goodwill of others in the use of the logo, commercial operation, and promotion, which objectively caused confusion and misidentification among consumers. The disputed trademark is identical to the prior trade name of RK Japan and has similar goods, and its registration infringes on the rights and interests of RK Japan’s prior trade name. Moreover, the approval and registration date of the prior trademark claimed by Beijing MT is later than the application date of the disputed trademark, which does not meet the prerequisite for becoming a legitimate source of registration for the disputed trademark.

The accumulation of goodwill of other trademarks of Beijing MT cannot be extended to the disputed trademark, and the registrability of the disputed trademark should be independently judged. In addition, Beijing MT has applied for numerous trademarks such as 无印良品 (MUJI in Chinese), LIANG PIN YOU XUAN in Chinese, and MEI RI YOU XUAN in Chinese, and in the actual use of those marks there is the malicious behavior of attaching to the goodwill of others, which constitutes the situation referred to in Article 44 (1) of TML 2013 of “obtaining registration by deception or other improper means.” Based on this, the second instance judgment upheld the first instance judgment on the basis of correcting the partial determination of the first instance judgment and the decision.

2) **The *Kuaishou Laotie* Case: The protection of well-known trademarks in the Internet environment**

Summary

The *Kuaishou Laotie* case concerns an invalidation action on appeal to the Beijing Intellectual Property Court, which considered how Internet-related trademarks can acquire well-known trademark status and the scope of cross-class protection afforded to well-known trademarks.

The takeaway from this case is that when determining whether a trademark in the online environment qualifies as a well-known trademark, full consideration must be given to the characteristics of information dissemination in the mobile Internet environment, such as the speed of communication and the establishment and reach of brand influence. In cases where individuals maliciously register well-known trademarks belonging to others in unrelated classes within the online domain, subjective intent and the degree of overlap between the respective goods or services should be thoroughly evaluated. Another learning from this case is that for well-known trademark protection, the brand owner should actively preserve, collect, and submit evidence of extensive use and reputation of its mark in China.

Case Facts

Guizhou Renhuai Kuaishou Liquor Sales Co., Ltd. (Renhuai Kuaishou) filed Application No. 26123096 for 快手老铁 (KUAI SHOU LAO TIE in Chinese characters), the disputed mark, on services such as “advertising; marketing; sales promotion for others; accounting; etc.” in Class 35 in 2017. The disputed mark was rejected by CNIPA on most of its designated services and was preliminarily approved on only one service, that is, “accounting.” Beijing Dajia Internet Information Technology Co. Ltd. (Dajia) filed an opposition against the disputed mark, but it was not supported by CNIPA. Dajia then filed an invalidation against the disputed mark after its registration in 2020, based on seven prior trademarks such as 快手 (Reg. No. 18459783) in Class 35, 老铁 (Appl. No. 24831195) in Class 9, 快手 (Reg. No.14439351) and 快手 (Reg. No. 14439348) in Class 41.

CNIPA did not support Dajia’s similarity claim based on Articles 30 and 31 of the TML since the goods/services covered by Dajia’s prior marks are not similar to the services covered by the disputed mark. In addition, CNIPA did not recognize the well-known status of Dajia’s 快手 and 快手 trademarks due to lack of sufficient evidence. The registration of the disputed mark was maintained by CNIPA.

Court Decision

The case was then appealed to the court, and Dajia supplemented its evidentiary submission with a substantial body of evidence showing use and promotion of its 快手 and 快手 trademarks prior to the filing date of the disputed mark.

The court considered that the evidence submitted by Dajia was sufficient to prove that its 快手 and 快手 trademarks had achieved well-known status on services like "program production; entertainment; entertainment information; etc." in Class 41 prior to the filing date of the disputed mark. The court also considered that the disputed mark was a copy and imitation of Dajia's well-known trademark, and the services covered by the two parties' marks might be considered as co-related. Based on these elements, the court held that the relevant public is likely to presume that the disputed mark is connected to Dajia's well-known trademarks, thereby blurring the distinctiveness of Dajia's trademarks and causing damages to Dajia as the rights holder of its well-known trademarks. As such, the court decided that the disputed mark should be invalidated.

3) **The *FAM Centrio* Case: CNIPA's acceptance of letter of consent in review case**

Summary

As noted earlier, the acceptance of letters of consent (the term "coexistence agreements" is used) interchangeably has become more stringent. *The 2022 Trademark Examination and Trial Guidelines* currently do not provide clear examination standards for the acceptance of trademark coexistence agreements/letters of consent, although the Beijing High People's Court *Guidelines for the Trial of Trademark Right Granting and Verification Case* issued in 2019 provides relevant guidance on the attributes, formal requirements, and legal effects of trademark coexistence.

Although CNIPA's current standing toward the acceptance of letters of consent is becoming more stringent, this does not mean that letters of consent have completely lost their effect; that is, if the trademark coexistence agreement/letter of consent does not violate laws, administrative regulations, or harm the public interest, and on the condition that the trademark at issue is different from the cited trademark in terms of overall appearance, text composition, distinctive identification parts, and if the designated goods of the conflicting marks have distinct fields. When the likelihood of consumer confusion is low, the parties can still try to obtain a letter of consent during trademark prosecution.

Case Facts

A Belgian company FAM, Naamloze Vennootscbap filed a trademark application FAM Centris with CNIPA on August 5, 2021, designating electric machinery for food preparation; peeling machine; industrial chopper (machine); mixer (machine); meat mincer (machinery); meat grinder (machinery); vegetable crusher; grinding machine in Class 7, under Application No. 58233333.

This mark was rejected by CNIPA based on similarities to prior International mark No. 878533, FAM, and International mark No. 1072836, centrio (cited trademark 1 and cited trademark 2, respectively). Cited trademark 2 is registered under Machines for the automotive industry, the aircraft industry, the power plant industry, the electrical industry, the mechanical engineering industry; machine tools, and spin testing machines in Class 7.

The applicant was dissatisfied with the rejection decision and filed a request for review and submitted a signed, notarized, and legalized letter of consent from the owner of cited trademark 2. CNIPA handed down a review decision on August 31, 2022, commenting that there were certain differences between the applied-for trademark and cited trademark 2; therefore, it preliminarily approved the registration of the applied-for trademark in terms of "electric machinery for food; peeling machine; shredder Meat machine (machinery); Meat grinder (machinery); Vegetable grinder." Cited trademark 2 was registered for "machines; machine tools; aircraft manufacturing industry; power plant industry; electric power industry that is, used in the automobile industry; and rotary testing equipment."

CNIPA Decision

In this case, CNIPA did not expressly make a statement to accept the coexistence agreement provided by the owner of cited trademark 2 in the decision. However, according to the general trademark examination standard on similar marks, both parties' marks should be deemed similar. The goods registered by cited trademark 2 belong to different fields from the electric cutting machinery class for which the trademark registration has been preliminarily approved. In addition, there are certain differences between the two parties' trademarks. Therefore, CNIPA commented that the marks are distinctive enough, and it is deemed to have accepted the letter of consent.

4) **The *Maple Leaf* Case: Letter of consent for trademark is not accepted when trademark similarity is high**

Summary

Trademark rights are one of the rights that civil subjects can dispose of freely. Generally, agreements reached between equal civil subjects on trademark coexistence are respected and accepted. Therefore, obtaining a letter of consent from a prior-cited mark owner is one of the common ways for trademark applicants to overcome registration obstacles based on an earlier right. However, when considering whether to accept a letter of consent, officials will also consider the interests of consumers, that is, whether the coexistence of trademarks on similar goods will cause confusion and misidentification among consumers. In this case, considering that the overall difference between the disputed mark and the cited mark was relatively small, the court believed that even if both parties had the intention to coexist, the possibility of public confusion could not be ruled out, and therefore did not accept the letter of consent.

Case Facts

In July 2020, Maple Leaf Foods Inc. applied for the extension of protection of its International Registration MAPLE LEAF and design, under No. G1542837 in Class 29 in China. CNIPA rejected this application for territorial extension protection of the trademark in China on the basis of Article 30 of the TML on the grounds that this trademark (the disputed mark) is similar to the trademark 枫叶 (MAPLE LEAF in Chinese) under No. 16886404, the trademark MAPLE LEAF in Chinese and design under No. 18573535, and the trademark TORONTO MAPLE LEAFS and design under No. 23995529 (cited marks 4, 5, and 8, respectively).

Maple Leaf Foods Inc. was dissatisfied with the rejection decision of CNIPA and filed an administrative lawsuit with the Beijing Intellectual Property Court. During the trial, cited marks 4 and 5 were canceled because they had not been used for three consecutive years. At the same time, Maple Leaf Foods Inc. submitted to the court a letter of consent for trademark issued by the owner of cited mark 8, which stated that the owner of cited mark 8 believed that its trademark could be distinguished from the disputed mark in terms of text composition, overall appearance, pronunciation, and meaning and that the coexistence of the two marks on Class 29 goods would not cause confusion among the relevant public; therefore, the owner of cited mark 8 agreed to the registration and use of the disputed mark by Maple Leaf Foods Inc. on Class 29 designated goods.

Maple Leaf Foods Inc. claimed that the owner of cited mark 8 had issued a letter of consent that clearly agreed to the registration and use of the disputed mark in China. In addition, there are certain differences in the overall appearance and textual composition between the disputed mark and cited mark 8. Therefore, they requested approval of the rejected goods.

Court Judgments

The court held that the disputed mark consisted of the words MAPLE LEAF and the maple leaf design, while cited mark 8 is composed of TORONTO MAPLE LEAFS and the maple leaf design. The two marks are similar in terms of constituent elements, pronunciation, meaning, overall appearance, etc. Although Maple Leaf Foods Inc. submitted a letter of consent, because the overall difference between the disputed mark and cited mark 8 is relatively small, even if both parties have the intention to coexist, the possibility of confusion among the relevant public cannot be ruled out. Therefore, the original decision was deemed not to be inappropriate and was upheld.

5) **The 三体人 (TRISOLARAN in Chinese) Case:—The name of a civilization population, Trisolaran, in a literary work is protected as a prior interest**

Summary

With the continuous development of the social economy and Internet technology, new forms of culture and business are emerging. In the current business environment, the products and services derived from cultural IP are increasingly diversified. Film and games, for example, may be derived from a literary work. Additionally, the products and services derived may be small things such as toys, clothing, handworks, etc., or they may be as large as a theme park and its related services. If specific cultural IP has obtained popularity through the publicity of its rights holder, it can bring commercial value and business opportunities. If others register the title of the work or other prior interests contained in the work as a trademark, it will damage the rights holder's market advantages and damage the rights and interests of the rights holder.

Although "prior interests" are included in the scope of protection in the *Trademark Examination and Adjudication Guidelines*, only two prior interests are explicitly listed, namely interests in a prior-published work of authorship and character names. The others are all included in "etc." Therefore, as to whether some elements constitute prior interests, examiners and judges must decide based on the specific circumstances of the case. In recent years, there have been some cases concerning the protection of prior interests in trademark prosecution. For example, the unique name of the martial art "Kuihua Baodian" in the book *Xiaoaojianghu*, and the name of the new media account "Zhang Zihan," which has certain popularity. In these cases, the authorities cracked down on the behavior of damaging others' interests and protected the interests of the holders of the prior rights.

Case Facts

Zhoukou Santi Trading Company Limited filed trademark No. 36050715 for 三体人 (TRISOLARAN in Chinese) in Class 28 in January 2019. The designated goods include "Gaming equipment, toys, etc." The trademark was registered in September 2019.

The Three-Body Problem (《三体》in Chinese) is a series of science fiction novels written by Liu Cixin. "Trisolaran" (三体人 in Chinese) is the name of an intelligent alien civilization. Mr. Liu Cixin authorized the Three-Body Universe (Shanghai) Cultural Development Co., Ltd. (Three-Body Universe Co.) to develop and operate "Three-Body IP" and authorized the company to protect the rights of the *The Three-Body Problem* serial literary works. Through a series of "Three-Body"-themed activities and joint activities with other well-known brands, "Three-Body IP" has continuously enhanced its popularity and achieved commercial value.

On the ground that the disputed trademark 三体人 has caused damage to its prior rights and interests in the title of the work as well as in the fictional civilization name contained in the work, Three-Body Universe Company filed an application for invalidation of the trademark, requesting that the disputed trademark be invalidated in accordance with the provisions of Article 32 of the TML.

CNIPA Decision

After examination, CNIPA held the view that the evidence provided by the applicant Three-Body Universe Company proved that before the filing date of the disputed trademark, the literary series *The Three-Body Problem* enjoyed high popularity and reputation in China and even in other parts of the world. Therefore, *The Three-Body Problem*, as the title of the prior well-known works, and "Trisolaran," as the name of the intelligent alien civilization highlighted in the works, should be protected as prior legitimate interests. The disputed trademark was determined to infringe upon the prior interests enjoyed by the applicant for invalidation, and the disputed trademark was invalidated.

6) **The V7 TONING LIGHT Case: use evidence outside China is also considered in Article 32**

Summary

A material development from the previous *Trademark Examination and Review Standards* promulgated in 2016 was the requirement of Article 32 that the trademark be used in mainland China has been somewhat relaxed so long as the mark is used in a way that is apparent to some extent to the relevant public in China.

In this case, the court fully considered that, in the Internet era, the channels for Chinese consumers to have access to foreign brands are constantly expanding, and new shopping modes such as purchasing on behalf of others and purchases on shopping sites outside China are becoming increasingly popular. The fact that relevant consumers purchased goods bearing prior trademarks through the aforementioned modes and used them on Chinese territory is sufficient to prove prior use of the mark with certain influence in China. Use of the trademark abroad can be one of the relevant factors for determining "some influence." At the same time, both CNIPA and the court have become more flexible in examining and admitting evidence in such cases, and the probative force of network evidence, such as Weibo and search engine website results, was also fully considered. This is also of positive significance for reducing the burden of proof on brand owners, actively protecting unregistered trademarks that have prior use and a certain influence, and for striking out bad-faith marks.

Case Facts

Guangzhou Hanhui Jiaoren Cosmetics Co., Ltd. (Hanhui Jiaoren Co.) filed a trademark application for V7 TONINGLIGHT" with CNIPA on August 27, 2015, designating laundry detergents; facial cleansers; cleaning preparations; leather waxes and essential oils; cosmetics; cosmetic cotton swabs; toothpaste; incense; animal cosmetics in Class 3 (the disputed trademark) under Mark No. 17769144.

On January 28, 2019, a Korean Company, Have & Be Co., Ltd. (H&B) filed an invalidation request for the disputed trademark. CNIPA handed down an invalidation decision in January 2020, invalidating the disputed trademark on the grounds that it violated Article 32 of TML 2013. Hanhui Jiaoren Co. was dissatisfied and filed an administrative lawsuit. Both the Beijing Intellectual Property Court and the Beijing High People's Court upheld CNIPA's decision in the first instance and second instance trials, respectively.

In this case, H&B applied to register the word trademark V7 TONING LIGHT on "skin care products, cosmetics" in South Korea on January 8, 2015. The trademark was registered on July 20, 2015. H&B completed the first batch of transactions of V7 TONING LIGHT products in South Korea in mid-February 2015. According to H&B's evidence, including the market planning of publicizing and promoting the V7 TONING LIGHT brand and products, and the media expenses related to V7 TONING LIGHT from 2015 to 2018, it can be proven that the V7 TONING LIGHT brand has been promoted by H&B through Korean online media, airport advertisements, and other platforms. The awards and reputation it received in South Korea submitted by H&B can prove that, through its promotion, V7 TONING LIGHT had a certain degree of popularity in South Korea before the filing date of the disputed trademark.

The appeal court also found, in the second instance trial, that the outer packaging boxes and bottle decorations of the makeup cream and facial mask sold by Hanhui Jiaoren Co. were similar to the decoration of H&B's related products.

Court Judgments

The trial court held that the website introduction, Weibo publicity, and other evidence submitted by H&B proved that it had used the V7 TONING LIGHT trademark on facial creams and other products before the filing date of the disputed mark and that it had achieved certain influence. As "V7 Toning Light" is not a fixed term, the disputed trademark applied by Hanhui Jiaoren Co. being exactly the same as the mark previously used by H&B could not be a coincidence. The products in prior use by H&B, such as facial creams, are identical or similar to registered goods of the disputed mark in terms of function, use, production departments, sales channels, target consumers, etc., and therefore are considered to be identical or similar goods. Therefore, the registration of the disputed mark constitutes a violation of Article 32 of TML 2013, which provides that "no one shall register a trademark that is already used by others and has certain influence through unfair means."

The appeal court held that, although the filing date of the disputed trademark was only a few months away from the time when H&B launched and promoted V7 TONING LIGHT–branded products, and the use and promotion evidence of the V7 TONING LIGHT trademark were mostly generated outside China, in the Internet age, it is common for consumers purchasing cosmetics to learn about new international brands through English-speaking websites, and to purchase overseas hot-selling branded products through new marketing models such as purchasing on behalf of others, placing orders on shopping websites outside China, and shopping at duty-free shops during travel outside China. The beauty bloggers' microblogs, purchasing articles and comments under articles related to the V7 TONING LIGHT brand cream, and other products submitted by H&B also proved that relevant consumers in China had a certain degree of understanding and awareness of H&B's V7 TONING LIGHT brand cream before the filing date of the disputed trademark. Considering the other relevant factors in this case at the same time, the court determined that, before the filing date of the disputed trademark, H&B's V7 TONING LIGHT trademark had been used in China on cosmetics products and had a certain degree of popularity. As such, the disputed trademark met the circumstances referred to in TML 2013, which provide that "no one shall register a trademark that is already used by others and has certain influence through unfair means."

7) **The *Bühler* Case: Mark incorporated in its entirety**

Summary

Interestingly, in oppositions filed against other marks filed by this same applicant, CNIPA not only found that the applicant violated principles of good faith enshrined in the TML, but also that it had shown a clear intent to copy and exploit the goodwill of other marks. Considering the reputation of Bühler Group and the large volume of applications replicating other established international brands, CNIPA found that Fante International acted in bad faith, which bolstered CNIPA's belief that there was a likelihood of trademark confusion between the marks despite the remote similarities between them.

Case Facts

The Bühler Group (Bühler) is a Swiss multinational plant equipment manufacturer headquartered in Uzwil, Switzerland. It operates in 140 countries and is known for its plant and equipment and related services for processing foods and manufacturing advanced materials. It entered the Chinese market in the early 1980s and currently has factories and service centers across various cities in China. Its largest manufacturing plant worldwide is in Changzhou.

On April 15, 2022, Fante (Shanghai) International Trading Co., Ltd., filed Application No. 64020272 for the EdmundBühler mark (the opposed mark) designating a broad range of machinery and machinery parts, including agricultural, wood processing, printing machinery, etc., in Class 7.

The application was preliminarily published in the *Chinese Trademark Gazette* on July 13, 2022, and Bühler raised an opposition against the application based on Articles 10.1.7, 10.1.8, and 30 of the TML. The applicant did not file a defense. CNIPA supported the opposition, and the trademark was refused for registration.

CNIPA Decision

On June 20, 2023, CNIPA issued a decision refusing the opposed mark based on Article 30 of the TML, holding that the registration of the opposed mark could easily cause the relevant public to mistakenly believe that both parties' trademarks are a series of marks from the same market entity or are somehow connected to each other. This would give rise to confusion and misrecognition among the relevant public.

CNIPA did not support Bühler's claims that the registration of the mark violated Articles 10.1.7 and 10.1.8 of the TML, which respectively prohibit the registration of marks that are deceptive and easily mislead the public regarding the quality or source of goods or those that are detrimental to socialist morality or mores or have other adverse effects.

In its decision, CNIPA noted that the opposed mark incorporated Bühler's marks in their entirety or the prominent part, Bühler. Moreover, it did not find the addition of EDMUND to the mark to distinguish the marks conceptually. The opposed mark is formed by the name "Edmund," and surname "Bühler." Indeed, Bühler was founded by an individual surnamed Bühler in the 1800s and is still owned by the Bühler family.

By extending protection to Bühler's house mark, BÜHLER, CNIPA implicitly found the distinctiveness of the name "Edmund" to be relatively weak in comparison to "Bühler." Interestingly, CNIPA did not comment on the extensive use and fame of the BÜHLER trademark, leaving open the question of whether this influenced its decision on the strong distinctive nature of BÜHLER, absent which protection may not have been extended. This decision suggests that where a prior mark is incorporated in another mark in its entirety, the relative distinctiveness of the marks is a determining factor.

In addition, CNIPA pointed out that the applicant had also filed applications for marks that were identical to or highly similar to prior registered marks such as TUDOR, LOCTITE, URREA, BROWN & SHARPE, etc., which were also opposed by their respective rights holders. Nevertheless, CNIPA did not strike down the current application based on the bad faith of the applicant, which presumably was a ground raised by the opponent in the decision.

8) The *Tang Niu* Case: Merchandising rights

Summary

Although the evidence of fame that was submitted was not published, the decision suggests that the opponent submitted a wide range of evidence from media reports, search engine results, and social media commentary that formed a strong basis for CNIPA's decision. Where the opponent did not possess a trademark registration covering identical or similar goods, it had to rely on its prior use, promotion, and fame, which was ultimately recognized by CNIPA here.

Case Facts

The Shaanxi History Museum (Shaanxi Provincial Cultural Relics Exchange Center) is one of China's first modern, national-level museums. It is in Xi'an City and its architecture is influenced by the Tang dynasty. It contains artifacts from various dynasties, including the Tang dynasty.

On March 5, 2021, Henan Radio and Television Station, filed Application No. 54053085 for 唐妞 (TANG NIU) (the opposed mark) designating light bulbs, acetylene flares, structural framework for ovens, refrigerating cabinets, ventilation hoods, heat accumulators, etc. in Class 11.

The application was preliminarily published in the *Chinese Trademark Gazette* on September 20, 2021, and the Shaanxi History Museum raised an opposition against it based on its prior rights in multiple registrations for 唐妞 (TANG NIU) covering Classes 6, 9, 28, 29, 30, 39, 41, 42, and 43—all but Class 11. It also claimed that the application infringed upon its prior rights and harmed its legitimate interests. The applicant did not file a defense. CNIPA supported the opposition, and the registration was refused.

CNIPA Decision

On October 9, 2022, CNIPA issued a decision refusing the opposed mark based on Article 32 of the TML, holding that the application for registration of the opposed mark without the opponent's authorization infringed the opponent's prior rights in its 唐妞 (TANG NIU) protected image and name.

CNIPA, however, found that because the goods and services designated by the trademarks of both parties were different in terms of function, usage, production, and sales channels, as well as service targets and mode of service, the marks of each party therefore did not constitute similar trademarks covering similar goods or services, which would have formed another basis for refusing the application in the opposition.

In its decision, CNIPA enumerated the extensive evidence of use and fame of the opponent's mark, which included the following:

- An explanation by the opponent of the creation of the 唐妞 (TANG NIU) trademark and image;
- *Xi'an Evening News* and other newspapers' reports on 唐妞 (TANG NIU);
- Purchase and sale agreements for 唐妞 (TANG NIU) series products;
- Baidu's search results page for 唐妞 (TANG NIU); and

WeChat published articles and other materials. CNIPA found the evidence submitted by the opponent capable of proving that the opponent is a pioneer in the cultural and creative industry in China. And 唐妞 (TANG NIU) is a protected image based on the culture of the Tang dynasty and the imperial "Tang Maid," which is the created image of a plump lady the Tang Dynasty. Through newspaper reports, published books, and the establishment of cultural and creative industry stores, the 唐妞 (TANG NIU) brand has become a nationally renowned cultural and creative industry brand.

CNIPA also found that the opponent had a good reputation and was highly recognized in radio, television, and entertainment circles such that the 唐妞 (TANG NIU) brand had developed what it deemed a "close corresponding relationship" with the opponent.

Given the fame of the opponent, CNIPA found that the Henan Radio and Television Station should have been aware of the foregoing. In particular, CNIPA zeroed in on the following:

- The opposed mark is identical to the name of the opponent's 唐妞 (TANG NIU) image.
- The Henan Radio and Television Station also applied for registration of multiple 唐妞 (TANG NIU) trademarks in other classes.

- The Henan Radio and Television Station failed to provide a reasonable explanation for the origin of its trademark and failed to provide corresponding evidence.

III. TRADEMARK INFRINGEMENT, LIMITATION OF RIGHTS, AND DEFENSES

1. Introductory Comments

Trademark conflicts in China are generally governed by the TML, which mainly protects registered trademarks, and the Anti-Unfair Competition Law, which protects unregistered trademarks, with its good-faith clause ultimately providing for remedy and protection.

2. Cases

1) The *Jägermeister* Case

Summary

Where the plaintiff and the defendant both have registered trademarks, according to the judicial interpretation of the Supreme People's Court, the defendant's registered trademark must be invalidated before a civil lawsuit can be filed. There is an exception though: if the prior trademark has already reached well-known trademark status before the application for registration of the defendant's trademark, the defendant can be sued in a civil proceeding directly, as shown in the *Jägermeister* case.

Case Facts

The plaintiff, Mast-Jägermeister SE, is a globally renowned alcoholic beverage manufacturer and distributor. It is the owner of various registered trademarks (Figs. 1–6). Jägermeister is the plaintiff's corporate name, and 野格 (the Chinese counterpart of Jägermeister— "Yege" in Pinyin) is the trade name of its Chinese subsidiary, Jägermeister Business Services (Shanghai) Co., Ltd. The plaintiff began selling JÄGERMEISTER (YEGE) brand liqueur in China in 2003.

野格 (Fig. 1, No. 5614224)

JÄGERMEISTER (Fig. 2, No. 992806)

Jägermeister (Fig. 3, No. G663995)

(Fig. 4, G795174)

(Fig. 5, G1287599)


(Fig. 6, G1291858)

The plaintiff filed a lawsuit against multiple defendants, alleging trademark infringement and unfair competition. The defendants are described as follows:

- Sheng Luo La (Qingdao) Liquor Industry Co., Ltd. (Defendant 1);
- Hefei Puyuan Trading Co., Ltd. (Defendant 2); and

- A natural person surnamed Chang (Defendant 3).

野格 JÄGERMEISTER 

The First Instance Court Judgment

On November 18, 2022, the Beijing Intellectual Property Court issued the first instance judgment [(2021) Jing 73 Min Chu No. 468].

Regarding the defendants' use of the trademark 野格哈古雷斯 on liqueur products, the court found the following:

- 野格哈古雷斯 was registered by Defendant 3, with Regulation No. 31027236; however, the mark had not surpassed the statutory period where a request for declaring its invalidity could be filed, and prior to the application for registration, the plaintiff's 野格 trademark had been well-known in China on liqueur products. Therefore, the trademark 野格哈古雷斯 constituted an imitation of the plaintiff's well-known trademark 野格.
- The use of the 野格哈古雷斯 trademark by the three defendants constituted infringement upon the plaintiff's well-known trademark rights.

Additionally, the court found the following:

- The defendants' use of 野格, 野格狩猎者, YEGE, YEGO HUNTER, and a deer head device and other signs in the production and promotion of infringing goods constituted similar trademarks to the plaintiff's 野格 and JÄGERMEISTER trademarks.
- The mark , used by the defendants on liqueur products, is similar to the plaintiff's trademarks  and .
- The trade dress of the infringing product  falls within the protected scope of the plaintiff's 3D trademark  and infringes on the plaintiff's packaging and decoration that has acquired a certain influence in China.
- Defendants 1 and 2 engaged in the sale of both infringing products and genuine products, which is sufficient to mislead the public into believing that its products are the goods of another party or have a specific connection with another party.

Regarding damages, the court factored the roles these three defendants played in this case and found the following:

- Defendants 1 and 3 were joint infringers.
- The plaintiff's claim for compensation of RMB 5 million against Defendant 1 and RMB 100,000 against Defendant 2 were tenable. Defendant 3 should assume joint liability for RMB 180,000 of the damages that Defendant 1 is obligated to pay.
- Defendant 3 applied to register a trademark similar to the plaintiff's well-known registered trademark and authorized Defendant 1 to use it; and Defendant 1 infringed the plaintiff's registered trademark and well-known trademark with obvious bad faith to piggyback on the plaintiff's renowned brand and goodwill. Punitive damages of RMB 5 million should be applied. Defendant 1 should bear the responsibility for RMB 5 million in punitive damages, of which Defendant 3 should assume joint liability for RMB 180,000.

The Second Instance Court Judgment

On June 29, 2023, the Beijing High People's Court issued the second instance judgment [(2023) Jing Min Zhong No. 246], rejecting the appeal and upholding the original judgment.

2) ***Danone Mizone* Case**

Summary

Even if a trademark, packaging, or decoration has not yet been registered, as long as it has gained some influence, it is also possible to bring an action against others for copying and imitation, as demonstrated in the *Danone Mizone* case.

Case Facts

Danone (China) Food & Beverage Company (Danone) registered a series of 脉动 (MIZONE in Chinese) word and graphic trademarks on goods like energy drinks in Class 32. In relation to its 脉动 beverage packaging, Danone has also applied for and obtained several design patents. After extensive promotion and use, the MIZONE brand gained significant recognition and influence in the beverage market. The 脉动 word trademark has also been recognized as a well-known trademark on goods such as water and beverages.

It came to Danone's attention that the 酷动 (KUDONG in Chinese) vitamin beverage packaging produced by Xiaoyangren Biological Emulsion Group Co., Ltd. (Xiaoyangren Co.), and sold by another defendant, closely resembled its 脉动 vitamin beverage packaging. Danone believed this constituted imitation of its 脉动 beverage packaging decoration, amounting to unfair competition, and subsequently sued Xiaoyangren Co. and others in the Suzhou Intermediate People's Court, Jiangsu Province (Suzhou Court).

The First Instance Court Judgment

In 2023, Suzhou Court made the first instance judgment [(2021) Su 05 Min Chu No. 2413], holding the following:

- Since their launch in 2003, Danone's 脉动 beverages have been marketed with distinctive features such as Roman column–style bottles, primarily blue color schemes, and bold white 脉动 text prominently featured on the blue wide-mouth bottle caps. Over years of business operations, while there have been minor adjustments to some design elements, the most recognizable design features have remained unchanged. Although Danone upgraded the bottle label of the 脉动 beverages in April 2020, it still retained the overall shape, color scheme, and graphic combination of the 脉动 product, thus maintaining a consistent style and stability.

- The evidence was sufficient to demonstrate that the product, after many years, has gained a certain influence in the relevant industry and among the public. The consistently used features of the packaging decoration were linked to Danone's 脉动 products. Hence, the various versions of the packaging decoration used for Danone's 脉动 products, being stable and distinctive, qualify for protection under China's Anti-Unfair Competition Law.

- The overall and key design elements of the packaging decoration of the parties' products are similar. Considering the high recognition of 脉动's packaging decoration, that both parties' products belong to the same category, and the historical evolution of 酷动's packaging decoration, consumers are prone to confuse the source of the products based on the general attention a consumer would apply when purchasing such goods.

- Xiaoyangren Co. was required to compensate Danone RMB 1.5 million for economic losses and reasonable expenses. The other defendant's defense of lawful origin was upheld, and it was therefore exempt from liability.

The Second Instance Court Judgment

On November 20, 2023, the Jiangsu High Court issued the judgment [(2023) Su Min Zhong No. 1271], dismissing the appeal and upholding the original ruling.

The appellate court affirmed that the packaging decoration of Danone's products at issue has a certain influence and was eligible for protection under the Anti-Unfair Competition Law. It particularly noted that although Danone introduced new design elements to the 脉动 beverage bottle label in April 2020, the overall shape, color scheme, and core identifying parts remained unchanged. Based on promotional content from fast-moving consumer goods platforms, JD.com, Chnbrand, and others, and due to Danone's mature sales channels, broad audience, and continuous promotional investments, the upgraded design of the packaging decoration maintained a stable growth in sales. This was sufficient for the relevant public to quickly associate this packaging decoration with the 脉动 products.

The 酷动 product produced and sold by Xiaoyangren Co. resembles the packaging decoration of Danone's 脉动 product significantly enough to cause confusion among the relevant public, which constitutes unfair competition. The court specifically pointed out that Xiaoyangren Co., as a competitor in the same industry, knowingly used packaging decoration highly similar to 脉动 products shortly after Danone introduced the packaging decoration at issue in April 2020. The subjective intent was malicious, and the action was likely to cause consumer confusion and misidentification, which gained them an undue competitive advantage and economic benefit. This action violated the principles of good faith that operators should adhere to in market transactions as well as generally recognized commercial ethics, undermining the market influence and competitive advantage of Danone's products at issue, thus constituting unfair competition.

3) **The *Hershey* case**

Summary

In the *Hershey* case, the court found that the defendant's trademark registration did not constitute an obstacle to the plaintiff's suit, without addressing whether the plaintiff's mark constituted a well-known mark.

Case Facts

The plaintiff, Hershey Company, is the owner of registered trademarks No. 6133631 HERSHEY and

No. 1239102 好时 (HERSHEY in Chinese).

One of the defendants, Chuangpai Company, is the registered owner of the below trademarks:

- No. 25492063, HEOSHIV'S (Trademark 1, in Class 29);
- No. 26135997, 好时传承 (HERSHEY HERITAGE in Chinese), (Trademark 2, in Class 29);
- No. 39869091, HEOSHIV'S (Trademark 3, in Class 30); and
- No. 39882958 好时传承 (HERSHEY HERITAGE in Chinese) (Trademark 4, in Class 30).

Hershey Company initiated invalidation proceedings against these trademarks, and the invalidation request was upheld by CNIPA. Chuangpai Company filed administrative lawsuits, and as of the time that this civil case was initiated, the administrative lawsuits were still pending at the first-instance level.

Upon discovering the use of the trademarks 好时传承, HEOSHIV'S, and 快乐好时 (HAPPY HERSHEY) on various products, including chocolates and candies, the plaintiff sued several defendants involved in the production or sale of these products, including Chuangpai Company, before the Shanghai Intellectual Property Court. One of the defendants uses 好时 as part of its trade name.

During the first instance trial of this civil case, the invalidity of the above-mentioned Trademarks 1, 2, and 3 had been confirmed by final judgments. However, the case concerning Trademark 4 was still under review.

The First Instance Court Judgment

On August 25, 2023, the Shanghai Intellectual Property Court, in its first instance judgment [(2022) Hu 73 Min Chu No. 1218], upheld the plaintiff's allegation of trademark infringement and unfair competition. The court's position regarding a later trademark, the registration of which violates the principle of good faith, deserves attention.

If the registration of a later trademark violates the principle of good faith, it should not have been protected from the outset. If the owner of the earlier trademark sues the owner of a later trademark for infringement, the court should proceed to hear the case, even if the registrant of the later trademark uses the relevant trademark in compliance with the laws and regulations. Under such circumstances, it will be unnecessary to either prioritize resolution through administrative authorities or to address whether the earlier registered trademark constitutes a well-known trademark.

The court's analysis was as follows:

- The plaintiff's trademark on products like chocolates and candies has a high level of recognition. As operators in the same industry, Chuangpai Company should be aware of the fact that the plaintiff owns the earlier registered trademark. However, it still registered a significant number of identical or similar trademarks, including Trademark 4, which was still valid during the trial, on similar or identical products. This indicates an improper intention to replicate and imitate the plaintiff's trademark. This behavior goes against the principle of good faith.

- Even if the relevant trademarks have not been declared invalid, and even without recognizing the earlier trademark as well-known, the court can still examine whether the use of the later trademark constitutes infringement.

The judgment has come into effect.

4) **The *ReFa* Case**

Summary

In the *ReFa* case, the court immediately found that the defendant's behavior of filing numerous identical and similar trademarks on goods similar to those of the plaintiff constituted unfair competition, and thus ordered the defendant to withdraw the trademark application and to revoke all the bad-faith trademark registrations.

Case Facts

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

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

- Defendant 1, Zhejiang Pusu Electric Co., Ltd., was responsible for producing infringing hair dryers and facial cleansers.
- Defendant 2, Ningbo Zhizhi Electric Co., Ltd., handled the sales of the infringing hair dryers and facial cleansers.
- Defendants 3, 4, and 5, Ningbo Qicai Holdings Co., Ltd., Ningbo Quandu Network Technology Co., Ltd., and Ningbo Jiden Electronic Technology Co., Ltd. were involved in extensively registering the ReFa and 黎珐 trademarks in multiple classes, providing legal grounds for the other defendants' actions.

Before initiating civil lawsuits against the defendants, the plaintiff challenged the trademarks registered by Defendants 3, 4, and 5 through numerous opposition/invalidation procedures. CNIPA determined that these trademark registrations violated the principles of good faith, thereby disrupting the orderly functioning of trademark registration system, leading to decisions disapproving the registration or invalidating the ReFa and 黎珐 trademarks. Despite this, the defendants continued their trademark infringement and squatting activities.

At the end of 2022, MTG Corporation sued the defendants for trademark infringement and unfair competition. The plaintiff sought orders for Defendants 1 and 2 to cease trademark infringement, and for Defendants 3, 4, and 5 to stop squatting on trademarks and engaging in unfair competition.

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

The First instance Court Judgment

On December 28, 2023, the Ningbo Yinzhou District People's Court rendered the judgment [(2023) Zhe 0212 Min Chu No. 4045], ruling the following:

- The five defendants involved committed joint infringement.
- The actions of Defendants 1 and 2 constituted trademark infringement, while Defendants 3, 4, and 5 were found to hoard trademarks and unfairly compete by piggybacking on the plaintiff's brand reputation, thus violating principles of good faith and damaging the plaintiff's interests.
- The court ordered Defendants 1 and 2 to immediately stop the trademark infringement and Defendants 3, 4, and 5 to cease applying for trademarks identical or similar to MTG Corporation's ReFa and 黎珐 trademarks, including withdrawing pending applications and revoking registered trademarks.
- The court also ordered the defendants to jointly compensate the plaintiff RMB 650,000 for economic losses and reasonable expenses.

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

5) **The *Honeysuckle* Case**

Summary

The case of 金银花 (HONEYSUCKLE in Chinese) involved the fair use of descriptive words. The SPC did not elaborate on the issue of whether the plaintiff's trademark was valid; instead, it focused on whether the defendant was using descriptive words and whether it was in line with commercial practice. The Court came to the conclusion that the defendant's behavior did not constitute trademark infringement and reversed the judgments of the courts of the first and second instance.

Case Facts

In 1992, the China Trademark Office approved the registration of the trademark 金银花 (HONEYSUCKLE in English) in question (Fig. 1) filed by the Red Star Factory in Class 3. The trademark was subsequently renewed and assigned to Bili Company, which operated online stores on JD.com and Taobao, selling floral water using the trademark.


Fig. 1

In 2012, Shiyan Company obtained Registration No. 9881416 for the trademark “清润” (QINGRUN in Chinese) in Class 3. The bottles of floral water produced by Shiyan Company feature the words “Qingrun” and “Honeysuckle Floral Water” on the front. Bili Company claimed that Shiyan Company had infringed its trademark right in HONEYSUCKLE and sued Shiyan Company for damages.

Court Judgments

The plaintiff received limited support from the Suzhou Intermediate Court of the first instance and the Jiangsu High Court of the second instance. The defendant, dissatisfied with the decisions of the two trials, filed an application for a retrial with the Supreme People’s Court.

Retrial instance

On September 17, 2023, the Supreme People’s Court found in the retrial judgment [(2022) Zui Gao Fa Min Zai No. 238] that on August 15, 2022, CNIPA had issued Decision No. 233, revoking the assignment and renewal of the trademark in question. In response to Decision No. 233, Bili Company filed an administrative lawsuit with the Beijing Intellectual Property Court, and the case was still pending. This fact, however, did not materially affect the Supreme People’s Court’s analysis:

- Firstly, signs that only bear the generic name, design, or model number of the goods, or which only directly indicate the quality, main raw material, function, use, weight, quantity, or other characteristics of the goods, as well as other signs that lack distinctive features, shall not be registered as trademarks. However, if these signs have acquired distinctiveness through use and are easily recognizable, they may be registered as trademarks.

- It should be noted that if other operators use only the descriptive information contained in the registered trademark, such fair use of the constituent elements of the trademark does not constitute infringement.

- Secondly, the use of the word “honeysuckle” on the product labeling of toilet water that contains honeysuckle as a raw material ingredient has the attribute of indicating the raw material and function of the product. Therefore, the HONEYSUCKLE mark in the word representation is not inherently distinctive for toilet water products. Although the “honeysuckle” character of the trademark in question has been artistically designed to a certain extent, considering its aforementioned attributes, even if its distinctiveness has been strengthened through use, the scope of protection should be limited to the character in the form of the specific artistic design.

- Therefore, if others use obviously different fonts for the purpose of introducing the main raw materials of the goods and ensure normal use of the characteristics of honeysuckle within the necessary scope, it is fair use of the trademark elements and does not constitute infringement, and the rights holder has no right to prohibit it. In addition, the evidence shows that there are more than 90 honeysuckle toilet water products filed in the domestic non-special-use cosmetics filing platform, and “honeysuckle toilet water” is an important index phrase for consumers searching for toilet water products on Taobao, Baidu, and other platforms. The special indication of "honeysuckle," independently of other ingredients, is in line with the market practice of introducing the type of goods.

- Thirdly, from the visual effect, the text "honeysuckle" is used by Shiyan Company together with the product name, and the text, which is arranged vertically, is the same size as the product name. This manner of use indicates that Shiyan Company has avoided using the trademark involved in the case.

Shiyan Company's defense that its use of the word "honeysuckle" was for the purpose of describing the raw materials of the goods was justified.

Ultimately, the Supreme People's Court overturned the first and second instance judgment in the retrial ruling and clarified that both forms of use of "honeysuckle" by Shiyan Company were legitimate uses intended to describe the ingredients of floral water. The distinctiveness of Bili Company's trademark, if any, mainly lies in the font design, and it cannot prevent others from using the term "honeysuckle" for normal product ingredient description purposes.

6) **The *Opple* Case**

Summary

The *Opple* case involved the defendant scraping off QR codes from the plaintiff's goods. The court of second instance, after a discussion on whether the code-scraping behaviors were detrimental to consumers, producers, and the public interest, came to a different conclusion from that of the court of first instance, which was that such behavior does not constitute trademark infringement or unfair competition.

Case Facts

The plaintiff, Opple Company, found that the bar codes on the outer boxes of its products were scratched off, while the bar codes on the inner boxes were still intact and the words OPPLE, 欧普 Lighting, OPPLE 欧普 Electrical Appliance are used on the packaging of the products. The plaintiff requested that the defendant in the first instance, Zhengzhou Dingfeng Lighting Appliances Ltd., immediately stop unfair competition, stop selling Opple lighting goods whose codes were scraped off, and bear the corresponding legal responsibility. It is understood that the reason for scratching off the bar codes is to prevent the discovery of supply channels.

The First Instance Court Judgment

In 2023, the Shenzhen Nanshan District Court (Nanshan Court) held [(2023) Yue 0305 Min Chu No. 6712] that the defendant Dingfeng Company, as the online seller of the goods in question, should know that any alteration of the product packaging and the code-scraping behavior would affect the integrity of the product packaging and the traceability and warranty of the goods sold. It would also undermine competition between the distributors, increase the communication costs of consumers in case of quality problems, damage the legitimate rights and interests of consumers, and could be detrimental to the brand value of the rights holder. Dingfeng Company's sales of products with codes scraped off undermined the brand owner's product management system, disturbed the normal market competition order, and damaged the legitimate rights and interests of other distributors and consumers. The Nanshan Court thus ruled that unfair competition could be established. The court ordered Dingfeng Company to stop the infringement and compensate the plaintiff for its damages.

The Second Instance Court Judgment

On January 22, 2024, the appellate court, Shenzhen Intermedial Court [(2023) Yue 03 Min Zhong No. 39312], overturned the first instance judgment, holding that although the appellant's code-scraping behavior impeded the appellee's internal management and caused some damage to the appellee's interests, according to the principles of proportionality and the principle of interest balancing, the behavior did not harm the interests of consumers or reach the level of adversely affecting the competitive environment and order, so there was no need to apply the Anti-Unfair Competition Law to regulate the behavior.

The court provided a comprehensive list of parameters as to how to determine whether Article 2 of the Anti-Unfair Competition Law is to be applied:

- *Consumer interests.* Consumers who purchased the genuine products produced and sold by the appellee, could verify the authenticity of the products and request after-sales service through scanning the QR code on the product's box. Although the appellant did not inform the consumer in advance of the code-scraping, with the presentation of the trademark and through the verification process, consumers could identify the source of the product and still enjoy the quality product and after-sales service provided by the appellee. Therefore, the consumers' interests are not harmed. Moreover, the consumers make a free choice of goods or services through the trademark, manufacturer, after-sales service, and other information, which is not influenced by the internal distribution management system of the manufacturers. Where the goods originate from legitimate sources with guaranteed after-sales service, the appellant's scraping of the QR code will not affect consumers' rational judgments.

- *Interests of the operator.* Appellant sold genuine products produced and distributed by the appellee at normal market price. Such behavior caused no adverse effects to the appellee's market share, sales profit, and reputation. The appellant's code-scraping behavior did lead to the appellee's inability to internally trace the information of the authorized distributors, and undermined, to a certain extent, the appellee's internal management system. The appellee's external operations, trading opportunities, and competitive advantage in the market, however, were not harmed.

Public interest. It is the "law of the jungle," in terms of market competition, that where there is competition, there is damage. Fair competition does not guarantee the success of every competitor in market competition. Mere damage to the operator's own interests is not a standalone parameter in finding unfair competition. The court must examine whether the behavior at issue also damages public interest, which is the fundamental interest the Anti-Unfair Competition Law affords protection to. Specifically, the harm of public interest is manifested as the prejudice against the fair market competition order. In this case, the commodity trading behavior is open and free, the transaction price is fair, there is no restriction of competition or harm to the interests of other competitors of the appellant. The court therefore concluded that the code-scraping neither brought negative impact to the market competition order nor harmed the public interest.

The court ultimately concluded that the case was not sufficient to invoke the protection of Article 2 of the Anti-Unfair Competition Law, overturning the first-instance judgment, reflecting the court's concern about overusing this clause of the Law. The emphasis on the principles of proportionality and balancing of interests in this case establishes a reasonable and moderate standard for applying this clause.

IV. LEGAL REMEDIES

1. Introductory Comments

The legal basis of judicial remedies for trademark infringement can be found in the TML 2019, the Civil Code, the Criminal Law, and multiple judicial documents[10] recently issued by the Supreme People's Court.

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

Preliminary 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 Supreme People's Court,[11] 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 at least five years, it cannot be banned from use.

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: (1) prove the losses; (2) prove the profits obtained by the infringer; or (3) make a calculation based on a hypothetical royalty. The 2013 revision took away this choice and provided that the calculation should be based on the losses and, only if such proof was difficult to make, it should be based on the profits or a hypothetical royalty.

The TML draft amendment reverts to the previous practice before 2013 by allowing plaintiffs to

[10] 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)

[11] 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)

select the method that suits them (TML draft amendment, Art. 77.1).

Evidence

When a plaintiff requests that the amount of compensation be determined 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 rights holder and the evidence on file (TML 2019, Art. 63.2 and SPC Sept. 2020, Art. 9).

When determining the profits from infringement, the court should 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 Sept. 2020, Art. 8).

Punitive Damages

Since implementation of 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 TML 2019, the coefficient was increased to 1 to 5 times. 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). **Statutory Compensation**

According to Article 64 of the TML, when it is difficult to calculate compensation by any of the methods provided in the law, the court may 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: (1) the intention of the infringer; (2) whether the infringement is the main business of the infringer; (3) whether there is evidence of repeat infringement; (4) the geographical scope; (5) the duration; etc. (SPC Sept. 2020, Art.11).

However, no punitive damages are possible if the award of damages is statutory rather than based on one of the three methods mentioned above.

Attorney Fees

Attorney fees will be supported when the plaintiff has provided sufficient evidence to prove their work involved. However, sometimes it will be awarded separately from the damages and sometimes it will be included in the total damages awarded to the plaintiff. The court is required, based on the evidence provided by the plaintiff, to comprehensively consider 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 Sept. 2020, Art.13).

2. Cases

1) *HUAWEI* Case: Trademark infringement[12]

Summary

Because it was proven that two companies involved in trademark infringement activities had the same controller, who was deeply involved in the operation of the companies and confused personal property with corporate property, the court held in favor of the trademark holder on its joint infringement liability claim.

Furthermore, the product profit rate was determined based on Administrative Penalty Decision (2022) 282022000183 raising the base for calculating the compensation. In light of the defendants' infringing activities (e.g., changing the owner of the online store at issue from one to another, and continued infringement activities after being punished previously), the court awarded the plaintiff fourfold punitive damages. This judgment serves as a classic example of the judicial system's efforts to crack down on repeated malicious infringement activities.

Case Facts

Huawei Company (plaintiff) had registered trademark No. 18783416A HUAWEI in Class 9 covering, among other things, smartwatches (data processing), on April 21, 2017. Jishe Company (defendant) operated the Kubaluo Flagship Store on the Tmall platform, where the titles of multiple products prominently featured the term "Huawei" when actual HUAWEI products were not offered for sale. On September 7, 2022, the operating entity of "Kubaluo Flagship Store" changed from Jishe Company to Hanmai Company (collectively, defendants), yet infringement persisted.

The First Instance Court Judgment

The court ruled in favor of the plaintiff, holding that the defendants had committed acts of trademark infringement and awarded the plaintiff RMB 10 million for economic loss and expenses. Li Haihong, as a co-infringer, was held to bear joint liability for the compensation obligation.

Details of the judgment are as follows:

Firstly, when Internet users enter keywords in the search box of an e-commerce platform, the purpose is to find information related to those keywords. When viewing the search results to their query, users generally assume a relevance between the keyword and the displayed goods or services. When the keyword appears in a prominent position in the product titles generated by the search, such association is strengthened. As a result, users will believe there to be a specific connection between the keyword and the goods or services in the search results. As such, the keyword "Huawei" appearing prominently in the titles of products in the search results will have the effect of identifying the source of the goods, which constitutes trademark use.

Secondly, in the event that the legal representative, the person primarily responsible, or the actual controller of a legal person, is fully aware that said legal person is committing an infringing act and actively participates in the infringing act, then the infringement reflects the will of both the legal person and the legal representative. In the case at hand, it was determined that the legal representative

[12] Huawei Technology Co., Ltd. v. Zhejiang Tmall Network Co., Ltd. and Li Haihong, People's Court of Jinshan District, Shanghai, (2023) Hu 0116 Min Chu No.4729.

jointly conducted the infringement together with the legal person. Here, Jishe Company, Hanmai Company, and the holder of the KUBALUO trademark, Shanghai Binyou Technology Co., Ltd., are all affiliated companies. Li Haihong was deeply involved in the operation of the companies, and her personal property and company property were mixed; therefore, Li Haihong as a co-infringer, was held to bear joint liability for the compensation obligation.

Finally, punitive damages were deemed to be applicable in this case. Based on the established facts, the sales of infringing products amounted to RMB 19,983,923.86. The court calculated the profit margin based on Administrative Penalty Decision (2022)282022000183 issued by the Shanghai Securities Regulatory Bureau. Ownership of the store had changed from Jishe Company to Hanmai Company, and infringement activities continued even after Jishe had been punished. Modifications to the titles of their product listings were made, but prominent use of “Huawei,” “Genuine Huawei,” “For Huawei Phones,” and “For Genuine Huawei Phones” continued in the titles of their product listings without displaying their own product brand. Therefore, Jishe Company and Hanmai Company deliberately infringed the exclusive rights of the registered trademark of the plaintiff. Their acts were characterized by deep subjective malice, long-duration infringement, and large-scale infringement, and thus constituted a serious situation for which fourfold punitive damages were imposed.

No appeal was filed.

2) The BELLE Case: Trademark infringement[13]

Summary

This case fully reflects the differences between online live-streaming sales and traditional sales models and the differing consequences trademark infringement can have on rights holders. Online live-streaming sales models allowed the defendants in this case to quickly accumulate a large customer base, resulting in a wider scope of infringement and higher profits. As a result, the plaintiffs suffered greater trademark reputation damage and economic losses, which constitutes “serious circumstances of infringement.” Meanwhile, the series of infringements committed by the defendants was purposeful, planned, and organized. Therefore, punitive damages were applied.

Case Facts

New Belle Shoes (Shenzhen) Company and Lirong Company (plaintiffs) were authorized by the trademark owners to act in their own name to stop acts that infringe upon the exclusive rights of the trademarks 百丽 and BELLE. In April 2022, Guangyuan Company (defendant), without permission, used 百丽 and BELLE on the Douyin account “Australian Baili Official Flagship Store” and promotional videos. On July 16, 2021, the defendant Liu * Yang became the owner of registered trademark No. 5925271 澳州百丽 AOZHOUBAILI through purchase. From April 15, 2021, to May 26, 2022, Liu * Yang registered multiple individual businesses and used them to register multiple accounts on the Douyin to sell shoes marked with the 澳州百丽 and AOZHOUBELLE patterns through live streaming. The plaintiffs accused the defendants of trademark infringement and unfair competition.

The Second Instance Court’s Final Judgment

The second instance court maintained the judgment of the first instance court, confirming that the

[13] New Belle shoes (Shenzhen) Co., Ltd., Lirong shoes (Shenzhen) Co., Ltd., v. Liu * Yang and Wenzhou Guangyuan Electronic Commerce Co., Ltd., Zhejiang Higher People’s Court, (2023) Zhe Min Zhong No. 460.

defendants' actions constituted trademark infringement and should be subject to punitive damages for the reasons discussed below.

Firstly, the plaintiffs' trademark acquired a high nationwide reputation through continuous use and promotion by the trademark owner and its authorized parties. Liu * Yang used the infringing mark in the name of the Douyin store, Douyin account, product links, product labels and tags, video promotions, and product introductions. In effect, the marks served to identify the source of the goods, which qualifies as trademark use. The infringing marks 澳州百丽, 澳州百丽+AOZHOUBELLE contains in whole the BELLE 百丽 trademark. 澳州 and the Pinyin AOZHOU refer to specific place names in the general public's mind. The prominent identifying part of the infringing mark remains 百丽 BELLE. The infringing mark and the plaintiff's trademark are used on similar goods, sufficient to confuse the relevant public about the source of the goods, constituting similar trademarks. Although Liu * Yang is the registrant of trademark No. 5925271, the unauthorized splitting and partial substitution of letters in the trademark's use constitute non-standard use of his own trademark, which potentially causes confusion and constitutes trademark infringement.

Secondly, punitive damages are applied when two requirements are met: (1) "intentional infringement" and (2) "serious circumstances." Through continuous use and publicity efforts, the plaintiffs' trademark has acquired high significance and popularity. The plaintiffs had also opened multiple 百丽/Belle Douyin accounts and Douyin stores on the Douyin platform. Liu * Yang should have been aware of this. Instead of taking reasonable avoidance measures, he actively sought to obtain a trademark similar to the plaintiffs' trademark and used it inappropriately, which clearly shows intentional attachment to the plaintiffs' trademark. Additionally, Liu * Yang mainly sold infringing goods through online live streaming, which is free from time or space restrictions and allows for rapid accumulation of a large customer base in a short period. Compared to traditional sales models, the infringement in this case covered a broader scope and yielded higher profits, while also causing greater trademark reputation damage and economic losses to the plaintiffs, thereby constituting "serious infringement circumstances."

In summary, Liu * Yang's appeal was dismissed. The judgment of the first instance court was maintained.

2) **The *Schwarzkopf* Case: Trademark infringement**[14]

Summary

Despite the defendant's trademark having been declared invalid, the defendant continued using the infringing sign, showing clear intent to infringe. The defendant's business model is based on franchising, using the infringing trademark as well as collecting franchise and management fees. The infringement took place across the country for four years with infringers collecting substantial fees, which resulted in significant profits and widespread consumer confusion. Such activities constituted "serious infringement." The court considered factors such as the reputation of the registered trademark, the nature and scope of infringement, the impact of the infringement, subjective fault, and the reasonable expenses incurred by the plaintiff in stopping the infringement and set the compensation amount at RMB 15 million.

[14] Henkel AG & Co. KGaA v. Xu, Tan, Fuzhou Yi Company., Zhejiang Higher People's Court, (2023) Zhe Min Zhong No. 267.

Case Facts

Henkel AG & Co. KGaA (plaintiff) applied for the SCHWARZKOPF and trademarks (Reg. Nos. 147637 and 147629, respectively) in China in 1979, which were registered in 1981. The and the trademarks (Reg. Nos. G714889 and 5043686, respectively) were also registered respectively in 1999 and 2009. These trademarks fall under Class 3, covering hair care, cleaning products, hair dyes, etc. The three defendants, all practitioners in the hairdressing industry (defendants), jointly managed a hairdressing franchise business where they registered and utilized the 施华蔻 trademark. The defendants used this trademark to establish websites and operate salons and to recruit numerous franchises under the "Schwarzkopf hairdressing chain" name. The plaintiff accused the defendants of trademark infringement, claiming damages of RMB 15 million.

The Second Instance Court's Final Judgment

The second instance court upheld the judgment of the first instance court, determining that the defendants' activities constituted joint infringement with serious circumstances. The compensation amount in this case was set at RMB 15 million. The main reasons for the decision are discussed below.

The first issue was whether the first instance court had jurisdiction in this case. The defendants jointly operated the "Schwarzkopf hairdressing chain" brand, with a large number of licensing franchise shops nationwide, Zhuang Lie Yang's barber shop in Hangzhou also used the infringing logo. The defendants' activities were determined to constitute joint infringement. Although the plaintiff withdrew its suit against the defendant Zhuang Liu Yang's barber shop in Hangzhou City, the alleged infringement did not change. In light of the infringing acts of the defendants, the first instance court was determined to have jurisdiction over the case.

The second issue was whether the behavior at issue infringed the exclusive right to use the trademark, and whether the defendant Tan was a joint infringer with the other two defendants. The registered trademark in question possesses strong distinctiveness and a high reputation. Without permission, MoShi Company and Yi Company used the accused infringing logo in services such as hairdressing, which are similar to the designated goods of the registered trademark in question, causing the relevant public to misidentify the source of the services, which constitutes infringement. Regarding joint infringement, the evidence shows that Tan was mainly responsible for the recruitment and management of the "Schwarzkopf Hairdressing Chain" shops. Tan's WeChat can be found on the official website of MoShi Company, and Tan is also responsible for collecting franchise fees for store franchise matters. Tan did not refute that the above actions were performed in the course of fulfilling his duties for MoShi Company or Yi Company. Therefore, Tan, MoShi Company, and Yi Company subjectively had a joint intent to coordinate and objectively cooperate with each other; they jointly implemented the infringing actions.

The third issue was the reasonableness of the amount awarded. When the profits from the infringement significantly exceed the maximum statutory compensation limit of RMB 5 million, the court applies its discretion to determine the amount of compensation. The court considered the following factors: (1) the trademark in question that belonged to the plaintiff had extremely high visibility and reputation; (2) the defendants were well aware of the prominence and influence of the plaintiff's trademark but still acquired and used the infringing trademark, showing obvious subjective malice in infringement; (3) the infringement scope covered the entire country; (4) the duration of the infringement behavior was quite long (from 2017 to 2021); and (5) the incurred reasonable expenses for notarization fees, attorney fees, and others fees to stop the infringement in this case. The amount awarded was considered reasonable.

The fourth issue was whether defendant Xu should bear liability for compensation. During the period of infringement, MoShi Company was the sole proprietorship limited liability company (later deregistered), with Xu as the sole shareholder. Xu failed to provide valid evidence proving that MoShi Company's assets were separate from his own. Pursuant to Article 63 of the Company Law of the People's Republic of China, Xu was determined to bear joint liability for the debts of MoShi Company.

4) The *Babyzen* Case: Compulsory enforcement

Summary

Some IP owners may face obstacles during a compulsory enforcement procedure even after successfully winning a civil case. In this case, by expanding the scope of parties subject to enforcement and extending the legal actions to individual shareholders, Babyzen successfully gained most of its compensation in an otherwise "dying" compulsory enforcement case.

Case Facts

Babyzen (plaintiff), a well-known baby stroller manufacturer, successfully won a patent infringement case in the Guangzhou Intellectual Property Court. However, the defendants (Company A and Company B) failed to fulfill their obligations to pay the plaintiff the millions of RMB in compensation that was owed to them. Babyzen then filed a compulsory enforcement action against the defendants. Unfortunately, the court did not locate any asset information for the defendants and announced the compulsory enforcement should be closed as there were no assets (under the defendants' names). Babyzen then filed an application with the court requesting the court to include the shareholders of the defendants in the enforcement.

Court Judgments

The court ruled in favor of Babyzen, and the enforcement case went forward.

With regard to defendant Company A, Babyzen learned that Company A's shareholders decided to de-register the company after the (patent infringement) civil judgment had been issued. When deregistering Company A, the shareholders promised that there were no pending litigations involving Company A, and the shareholders agreed to bear the liabilities of Company A before its deregistration. As Company A "vanished," civil liability must be taken over by its shareholders. Therefore, there was sufficient legal basis for the court to add the shareholders of Company A as defendants. After realizing this, the shareholders of Company A proactively settled with Babyzen and paid compensation for Company A's part.

With regard to defendant Company B, Babyzen conducted an in-depth investigation and learned that the shareholders of Company B decided to increase company capital to RMB 1 million but actually only paid into reserve RMB 0.5 million. As Company B was found with "no assets" during the previous enforcement procedure, Company B's shareholders were ordered to pay the compensation for Company B to Babyzen within the scope of RMB 0.5 million (which the shareholders failed to pay as Company B's registered capital). The court held that the shareholders of Company B must be added as co-defendants and compulsory enforcement continued.

By changing and adding new parties who were subject to enforcement (e.g., shareholders in this case), Babyzen successfully restarted the "closed" compulsory enforcement and received most of the compensation rendered by the previous favorable civil judgment.

5) The SIEMENS Case: Trademark infringement[15]

Summary

In this case of combating infringing acts, the court determined that using marks that are identical or similar to the trade names or registered trademarks of enterprises that have a certain influence constitutes unfair competition under Article 6 of the Anti-Unfair Competition Law.[16] In the absence of evidence to prove the specific amount of profits from infringement and actual losses, the court also elaborated on the factors to consider in determining the amount of compensation. The judgment in this case is significant in that it demonstrates the identification of infringing acts, calculation of compensation amounts, and other legal issues.

Case Facts

The trademark SIEMENS, which is registered for washing machines by Siemens Corp. and Siemens China Co., Ltd. (plaintiffs), enjoys a high reputation after long-term use. The plaintiffs' trade name "Siemens" also has a certain influence. Defendant Qishuai Company used the mark of SHANGHAI SIEMENS ELECTRIC APPLIANCE CO., LTD. for its washing machine products, product packaging, and related publicity activities. Defendant Xinweichuang Company sold the above-mentioned products. The plaintiffs accused both defendants of trademark infringement and unfair competition, claiming compensation of RMB 100 million for economic loss.

The Second Instance Court's Final Judgment

The second instance court upheld the judgment of the first instance court confirming that the defendants' acts constituted trademark infringement and unfair competition for the reasons discussed below.

Firstly, when the defendant Qishuai Company used the mark SHANGHAI SIEMENS ELECTRIC APPLIANCE CO., LTD. on the body of its washing machine, due to its distinctive position on the body panel, the relevant public was likely to consider it as an indication of the source of the goods, which should be considered as trademark use. In the mark SHANGHAI SIEMENS ELECTRIC

APPLIANCE CO., LTD., "Shanghai" indicates a geographical location, while "Electrical Appliances Co., Ltd." denotes the nature of the commercial entity and its organizational form, neither of which is particularly distinctive. However, "Siemens" has strong distinctiveness and recognition, constituting the "significant recognition" part of the mark, which is exactly the same as the plaintiff's trademark SIEMENS. Therefore, SHANGHAI SIEMENS ELECTRIC APPLIANCE CO., LTD. constitutes a similar

[15] Siemens Corp., Siemens China Co., Ltd. v. Ningbo Qishuai Electric Appliance Co., Ltd., Kunshan Xinweichuang Electric Appliance Co., Ltd., Zhejiang Higher People's Court, (2022) Supreme Court Min Zhong No. 312.

[16] 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.

trademark to the plaintiff's trademark SIEMENS. In conclusion, Qishuai Company's use of SHANGHAI SIEMENS ELECTRIC APPLIANCE CO., LTD. on the body of its washing machines is likely to cause confusion among the relevant public. This falls within [17] paragraph 2 of Article 57 of TML 2013, so that the defendant's actions constituted trademark infringement.

Secondly, Defendant Qishuai Company used SHANGHAI SIEMENS ELECTRIC APPLIANCE CO., LTD. in the outer packaging of products and in conjunction with publicity activities of the infringing products. As the brand name "Siemens" is consistent with that of the plaintiff and its trademark SIEMENS, it is easy for the relevant public to mistake the infringing products for products of the plaintiff and believe that there is a relationship with the plaintiff. The defendant's acts therefore constituted unfair competition according to paragraphs 2 and 4 of Article 6 of the Anti-Unfair Competition Law revised in 2017.[18]

Finally, the second instance court upheld the judgment of the first instance court on the amount of compensation. Since the defendant Qishuai Company refused to provide financial information related to the infringement, the first instance court took media reports covering the case and used them as the basis for calculating the total sales and calculated the proportion of sales of the infringing products. Although the existing evidence could not prove infringement profits and losses, it was sufficient to conclude that the benefits gained by Qishuai Company from the infringing products obviously exceeded the maximum amount of legal compensation stipulated in paragraph 4 of Article 17 of the Anti-Unfair Competition Law.[19] Considering the defendants' obvious subjective malice, the scale of infringement, the duration of infringement, and other factors such as the profit margin of washing machine products, the compensation amount of RMB 100 million was considered appropriate.

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[17]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.

[18] Article 6(2) 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: using the name of another enterprise (including its abbreviated name, trade name, etc.), social organization (including its abbreviated name, etc.), or individual name (including pen names, stage names, translated names, etc.) without authorization and with certain influence.
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.

[19] Article 17(4) of Anti-Unfair Competition Law: Where an operator violates the provisions of articles 6 and 9 of this Law, the actual losses suffered by the right holder as a result of the infringement and the benefits gained by the infringer as a result of the infringement are difficult to determine, the people's court shall award the right holder a compensation of less than 5 million yuan according to the circumstances of the infringement.

Appendices

Appendix I

EU-China Intellectual Property Rights (IPR) Working Group

October 2023

The International Trademark Association (INTA) appreciates the opportunity to contribute to the EU-China IPR Working Group and Dialogue. INTA recognizes that intellectual property legislation and law enforcement in China has greatly improved over the past few years, thanks to the significant actions of the Chinese government. While recognizing these improvements, INTA encourages continued progress on a range of issues of importance to all IP owners. INTA is encouraged by the EU-China IPR Working Group discussions which undoubtedly will support continued progress.

In October 2022, INTA submitted comments, for the EU-China IPR Working Group and Dialogue discussions, focusing on a few key policy priorities in China: bad faith trademark registrations; online counterfeiting and enforcement issues; and design protection. INTA's comments below expand on those priority areas and address some other important issues, including the increasing instance of rejections of applications and appeals for marks deemed inherently unregistrable, the rejection of co-existence agreements, well-known trademarks, and non-traditional trademarks.

We hope you will find these comments helpful in the context of the upcoming EU-China IP Working Group.

1) TRADEMARKS

Improvements to deter bad-faith trademark registrations.

INTA welcomes the new measures tackling "bad faith registration" introduced with the Fifth Revision of Chinese Trademark Law, which INTA submitted the comments in February, 2023. Despite these welcome amendments and the introduction of other measures aimed at addressing the issue, trademark owners have yet to experience measurable reductions in bad faith activity targeting their brands. INTA therefore encourages further government-to-government engagement with the aim of keeping bad faith registration at the top of the agenda for discussion.

INTA also appreciates several updates to China's legal measures addressing bad faith trademark applications, including *Work Plan of Systematic Tackling Bad Faith Trademark Registration in Facilitating High-quality Development (2023-2025)*.

INTA suggests reviewing the impact of these amendments in China and publishing the findings as a means of supporting future legislative and administrative work to address this issue.

In the meantime, INTA members have raised several questions and recommendations which we hope will be addressed in the Working Group, including:

- What legislative and regulatory developments are being considered to strengthen the ability of China National Intellectual Property Administration (CNIPA) to deter and respond to bad faith trademarks?

- Article 4 of the Trademark Law now includes explicit recognition that bad faith trademarks not intended for use can be rejected by the TMO. However, questions remain regarding the scope of this provision and its implementation. Trademark owners continue to report mixed results in the cases due to ambiguities in the factors and evidence required for determining bad faith, as well as due to inconsistent examination practices.
- The draft amendment of the Trademark Law also indicates plans to increase the level of administrative fines against bad faith filers and their trademark agents. The current penalties are insufficient to deter these activities. INTA is preparing to issue a new Board Resolution on monetary relief in trademark infringement cases to encourage the award of monetary compensation that creates a significant deterrent effect on future infringers.
- We understand that Chinese civil courts have applied the Anti-Unfair Competition law and held bad faith pirates liable for damages caused by filing for marks in bad faith, provided that the pirate used the mark and/or the pirate pursued enforcement actions that disrupted the sale of genuine products. Can you share more on these developments or plans to further the agenda?
- Regulations issued by CNIPA after the 2019 amendment of the Trademark Law suggested that decisions involving bad faith registration handled by the TMO and TRAD might be consolidated and/or accelerated – steps that would go far in stopping and deterring bad faith filers. However, INTA members have seen little evidence that these powers are being exercised in their cases in a consistent and comprehensive manner.

We meanwhile 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 the Resolution.

The increasing instance of rejections of applications and appeals for marks deemed inherently unregistrable.

INTA members report concerns that the stricter assessment as to whether trademark applications fall foul of absolute grounds under the Chinese Trademark Law has resulted in an increasing instance of rejections of applications and appeals for marks deemed inherently unregistrable. INTA is preparing to adopt the amendment of the draft Trademark Examination Guidelines. There will be substantial changes to the Absolute Grounds section of the Guidelines, and INTA offers its assistance through research and other forms of engagement to support Chinese government efforts to improve the quality examination of trademark applications in a timely manner.

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.

INTA members 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 TMO would clarify its position on the acceptance of co-existence agreements, providing clear guidance.

We suggest continuing the previous consistent policy of providing significant weight to co-existence agreements. Some of the factors suggested by INTA to evaluate whether consent should be considered a valid reason to accept the Co-existence Agreement:

- a significant period of concurrent use has passed with no evidence of actual confusion among the relevant purchasing public;
- the applicant's goods/services are distinct from the goods/services of the cited marks.
- the trade channels and/or the purchaser groups are different;
- the applicant and the owners of the cited marks agree not to use the mark of the other on their own goods/services, and agree not to use their own mark on the goods/service of the other;
- the undertaking that if confusion should occur, the owners of the respective marks will work together and take reasonable action(s) to promptly obviate such confusion;
- Inclusion of any other relevant factors illustrating that in this specific case, a likelihood of confusion does not exist.

Well-Known trademark (WKMs) 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 WKMs 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 achieve well-known status 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, such as through e-commerce and social media channels, the WKMs 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 WKMs 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 how to build upon this study and create a more comprehensive analysis of WKMs frameworks.
- We support WIPO's Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks.
- To what extent does CNIPA consider the overall impression of a WKM (compare the entirety and the core components of the marks)?
- Commerce today is built upon global, nearly instantaneous communication and access, which means that local consumers can, and often do, become aware of a foreign brand well before the brand registers or uses its trademark(s) locally. Thus, it is imperative that legal systems recognize a trademark can easily become well-known without local registration or use, and local notoriety/ awareness may be built upon foreign use and/or a robust local resale market. We encourage CNIPA to utilize the ongoing consideration of amendments to its Trademark Law to formalize these concepts into law.
- To what extent can consideration be extended to important factors such as the well-known status of a mark in a foreign jurisdiction?
- To what extent can CNIPA adjust its analysis on reliance on traditional 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 many businesses 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:

- Can clarification be given with respect to "position" marks? 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.

- According to the Chinese Trademark Examination and Review Guidelines, if distinctive textual or graphical elements are combined with a three-dimensional trademark of relatively weak distinctiveness, the trademark will be classified as a common trademark rather than a three-dimensional trademark. However, the Guidelines do not currently provide clear criteria for the level of distinctiveness required for such a three-dimensional trademark. We would appreciate more clarification from CNIPA in this regard.

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 on 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 was 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 may likely be incentivized to doctor their accounting to keep their "illegal gain/profits" as low as possible to avoid criminal liability. 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.

The criminal threshold for counterfeiting cases remains too high.

INTA appreciates that the criminal threshold for trade secrets infringement 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 continued negative impact on IP enforcement. This issue continues as there is no change to such thresholds: 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 significant differences 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 have 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; and
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 the Criminal Code that 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.

Improvement can be achieved where administrative enforcement is concerned and we encourage a collaborative dialogue between the industry and enforcement authorities, notably through promoting a more effective information sharing mechanism to ensure the consistency of IPR enforcement across China. Specifically, encouraging more local Public Security Bureaus and Customs officials to pursue criminal cases collectively would be one suggestion.

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 the 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:

- The 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;
- The lack of a 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, and
- The deadline for IPR holders to respond to a counternotification by initiating a lawsuit or administrative action being extended to 20 days, as 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 listings which advertise one or two infringing products in order to prevent relisting.

We continue to urge that subsequent regulations implementing the e-commerce law 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 holders 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.

Collaboration for Enhanced Enforcement Against Shell Companies

Shell companies, often created with the sole intention of engaging in illicit activities and counterfeiting and designed to evade detection and penalties from customs and other enforcement authorities have been a persistent challenge. INTA believes that through coordinated action as well as the sharing of intelligence among various law enforcement agencies and brand owners, we can significantly enhance our efforts to combat this issue effectively.

To this end, INTA suggests establishing a dedicated task force comprising representatives from SAMR, GACC and MPS, to work cohesively to develop a comprehensive plan to identify, investigate, and take appropriate action against shell companies. Proposed actions include:

1. Information Sharing: To facilitate the exchange of relevant information and intelligence among participating agencies and relevant stakeholders including brand owners, to identify potential shell companies and their unlawful activities.

2. Joint Investigations: To coordinate efforts for in-depth investigations into suspected shell companies, related parties and their networks so as to crack down their operations.

3. Enhanced Surveillance: To adopt advanced technology to monitor and track suspicious financial transactions and activities of shell companies back to production sources.

4. Public Awareness: To launch public awareness campaigns to educate businesses and individuals about the risks associated with shell companies and the importance of due diligence.

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 and new Internet Tribunal in Huqiu (Suzhou) 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 letters in the overall consideration of "malicious intent". We are also seeing a clear increase in cases where the courts awarded damages close to or equivalent to the maximum amount allowed by law.

We are happy to see that the Supreme People's Court will start hearing more retrial cases. This is especially important for the many cases filed with the Beijing Intellectual Property Court (first instance) following decisions made by CNIPA. These judgments are then subject to appeal before the Beijing High Court (second instance), and then, to the SPC for retrial. In addition, it is worth paying attention to whether and how the SPC will uses its ex officio power to retry the case where the SPC finds there is an error in a civil or administrative judgment or ruling of a local people's courts at any level to harmonize the application of the law.

Moreover, China's accession to the *Convention Abolishing the Requirement of Legalization for Foreign Public Documents*, which may greatly 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, is welcome.

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

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. Morever, 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 Second Draft Patent Examination Guidelines (2022) 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 Second Draft Patent Examination Guidelines (2022) (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 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. 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. However, the above proposal in the Draft Patent Examination Guidelines (2021) was removed from the Second Draft Patent Examination Guidelines (2022).

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 a case dated May 18, 2023, the Shanghai High Court repealed the physical article requirement in Kingsoft v Menjia in GUI design infringement determination and upheld Shanghai IP Court's infringement decision where the infringer only provided the app with infringing GUI for users to download and install on mobile phones by themselves. If the opinions of Shanghai High 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. The extension of the grace period to twelve months without limitation to the specific circumstances set out in Article 24 of PRC Patent Law may also mitigate the effect of lack of unregistered design protection in China.

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. The 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 on 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)*, *CNIPA's Measures for Regulating Patent Application Activities (2021)* and *Identification of Abnormal Patent Application Behaviors and Post-identification Sanction Guidelines (2023)* 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 (2022)*" and "*Shantou Special Economic Zone Regulations on Intellectual Property Protection (2022)*".

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

Appendix II

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