Trade Marks 2023

Definitive global law guides offering comparative analysis from top-ranked lawyers

China: Trends & Developments
Jing Xu and Wanli Ye
King & Wood Mallesons
Trends and Developments

Contributed by:
Jing Xu and Wanli Ye
King & Wood Mallesons see p.7

40th Anniversary of the Trade Mark Law

Fast-changing landscape
As the first intellectual property statute in China, the Trade Mark Law celebrated its 40th anniversary in 2022. It has undergone four rounds of revisions in 1993, 2001, 2013 and 2019, with a number of judicial interpretations, implementation rules, regulations and policies introduced, and has developed into a trade mark legal system having the same degree of sophistication as other primary jurisdictions. However, research and debate over amendments to the Trade Mark Law has never stopped, even after the amendments just came into effect – the fast-growing market and brand owner’s calls for addressing fundamental and new issues, have been promoting China’s legislature, courts and administrators to improve the system in a unique approach.

The 2019 amendment is widely deemed as a relatively small step forward focusing on addressing imminent issues – trade mark piracy and understrength protection. A new article specifically targeting trade mark piracy was introduced, and the article governing the damages calculation was amended. A number of judicial interpretations, regulations and policies were released, together with the flood of judgments and administrative decisions demonstrating the efforts of addressing the two issues. But many other issues raised repeatedly by the stakeholders at the time were left untouched in the 2019 amendment. According to an official document released by the National Intellectual Property Administration of the People’s Republic of China (CNIPA), more than 40 proposals regarding amending the Trade Mark Law from legislators were received in the past five years.

New amendment
On 13 January 2023, the CNIPA released its draft amendment to the Trade Mark Law for public comments. According to the CNIPA’s explanation, five primary issues existed under the current framework:

• the trade mark use requirement did not receive “sufficient” attention;
• no “powerful” measures were available to effectively stop trade mark piracy;
• the prosecution proceedings were complex and lacking proper co-ordination;
• the strength of trade mark protection was still to be improved; and
• supporting mechanisms had been falling behind the fast-changing market.

The draft amendment expands the Trade Mark Law to 101 articles, including 23 new articles and 45 existing articles with substantial changes. The following would worth a brand owner’s attention.

• Trade mark piracy – the draft amendment introduces a cause of action to recover at least the brand owner’s legal costs incurred for opposing or invalidating pirate marks, administrative fines against the trade mark pirate, and mandatory assignment of the pirate marks when certain conditions are satisfied. This is a significant step forward from the 2019 amendment, bringing reliefs for brand owners to recover costs and get the
trade marks back – the current trade mark law only grants the CNIPA the power to reject such filings but brand owners have to seek relief under the unfair competition law, which threshold is not easy to meet.

- Malicious assertion – in addition to judicial sanctions, the draft amendment adds a cause of action for claiming for compensation of economic losses caused by, and recovery of, legal costs incurred for defending malicious assertion of registered trade marks. This responds to a long-time appeal after the Supreme People’s Court rendered its first judgment ruling that malicious assertion of trade mark rights should not be supported in 2014, and, if this can be finally codified, it will be a strong deterrence to trade mark pirates preparing for monetising their bad-faith registrations.

- Well-known trade mark – the draft amendment formalises the injunctive relief that a registrant of a well-known registered trade mark may seek against the defendant’s use of its registered trade mark, and further clarifies that the dilution protection can apply to well-known trade marks no matter whether it is registered or unregistered. This is another significant change for detailing the definition of dilution into the statute and expanding the scope of dilution protection to any trade marks found to have well-known status by courts, administrative authorities and the CNIPA.

- Non-traditional trade mark – the draft amendment uses “or other elements” to replace “etc,” for listing elements that can be registered as a trade mark, potentially opening the door for new types of non-traditional trade mark. This literally opens the doors for any elements or their combinations for registration if they do not violate any other articles of the Trade Mark Law.

- Use requirements – the draft amendment introduces a requirement that a trade mark registration must report the use of its registered trade mark or provide a reason not to use the mark every five years, otherwise the CNIPA may deregister the trade mark. It also introduces a ban for “repetitive registration”, forbidding a registrant from filing to register a trade mark identical with its prior filings or registrations with six exceptions. China has been the typical “first-to-file” jurisdiction and the three-year, non-use cancellation is the only action that the CNIPA uses frequently to cancel trade marks that are not used in commerce after registration. This change is freshly new to the trade mark regime in China but designed to change a long-existing problem – new registrations abound each year, but many of them are not filed for use.

- Oppositions – the draft amendment shortens the period for filing an opposition from three months to two months after the subject mark is published for opposition. If the applicant loses the opposition, it can file a court appeal directly. This is to accelerate the registration process but also means that brand owners will have only two months to prepare oppositions.

- E-commerce – the draft amendment specifies that the trade mark infringement in e-commerce is also prohibited, but the language is quite general, needing further clarification.

- Descriptive and indicative uses – the draft amendment adds descriptive and indicative uses as two sections under the non-infringement article. These two defences were inexplicitly introduced in a high court’s guidance in 2006 but have been “existed” as an academic concept and a controversial legal issue in practice. If this is approved, it could be a double-edge sword for brand owners
depending on how courts and administrative authorities rule and interpret specific cases.

While the draft amendment is not the most-changed version among the four amendments, it is indeed a significant step forward proposing solutions to the long-existing issues. It can be seen as a problem-solving oriented draft amendment, but it also includes a breakthrough from the existing framework, in particular, the trade mark use requirements, the expansion of well-known trade mark protection, and changes on non-traditional trade marks. These proposed changes, at least for the eight listed above, will definitely receive challenges from the industry. At this very early stage, according to China’s legislative practice, the approved version might be substantially different and more conservative – most of the proposed changes are apparently favourable to brand owners, which could change the balance or even reshape the current landscape.

Moreover, many of the proposed changes are still in a very general or conceptual level, leaving more detailed and practical questions to be answered after approval. In China, the practice is to issue judicial interpretations, regulations, implementation rules, guidance and policy documents to clarify the detailed criteria. The guiding/representative cases periodically released by courts and administrative authorities provide more detailed guidance applied to specific situations. That said, this round of improvement of the trade mark system in China might take a few years, but brand owners will have higher degree of transparency and predictability on the authority’s practices this time than previous amendments.

Guidance From the CNIPA

Guidelines issued by the CNIPA

Following the implementation of the Trade Mark Examination Guidelines and the Criteria for Judging Ordinary Trade Mark Violations on 1 January 2022, both of which focused on registration and use of registered trade marks, as well as the Judging Criteria for Trade Mark Infringement effective as of 15 June 2020, the CNIPA issued the following important policy documents that brand owners might need to pay more attention to.

- Q&A for the Trade Mark Examination Guidelines – the CNIPA interprets four important issues in the examination guidelines – well-known trade mark, distinctiveness examination, absolute ban for registrations, and bad-faith trade mark filings – with explanations, examples, data and backgrounds.
- Understanding and Application of the Judging Criteria for Trade Mark Infringement – the CNIPA issued this 98-page document with detailed explanations and cases for the criteria, which is the guidance for local trade mark enforcement authorities in handling trade mark infringement cases.
- Understanding and Application of the Criteria for Judging Ordinary Trade Mark Violations – the CNIPA issued nine short articles in November 2022, going through the criteria, which is the guidance for local trade mark enforcement authorities in handling trade mark use violations.
- Guideline on Registration and Use of Service Marks in Class 35 – the CNIPA issued this guideline to provide some details on controversial issues around registration and use of the so-called “almighty” trade mark, which has been used by trade mark registrants against any sales or promotion of goods in any classes.
Guideline on Avoiding Conflicts with Prior Rights in Trade Mark Registrations – the CNIPA issued this guideline to provide more details, including explanations and cases, on situations where a trade mark filing is denied on the ground of infringing other’s prior rights.

Guideline on Trade Marks Prohibited from Use – the CNIPA issued this guideline to provide more details on the controversial absolute ban under Article 10.1 of the Trade Mark Law – any mark violating this article cannot be registered and is prohibited from use in commerce.

In addition to the nationwide policy documents issued by the CNIPA, guiding cases or representative cases were also released by the CNIPA and local administrative authorities – administration of market regulations (AMR) providing more detailed guidance for brand owners to use and enforce their trade marks.

“Deceptive marks” and “marks with other negative impacts”

Deceptive marks and marks with “other negative impacts” under Articles 10.1(7) and 10.1(8) of the Trade Mark Law have become a headache to foreign brand owners over the past few years. It started when their applications for trade marks used for many decades in other jurisdictions or the corresponding Chinese translation were rejected by the CNIPA, on the ground that the marks “could be easy to cause the public to be misled over characters of the goods” or “has other negative impacts” (eg, the use of “Christian” or “God”, which was a part of the registrant’s trade mark used for a long time, in a non-offensive manner automatically triggers this absolute ban for detrimental effects to religious groups). The new trade mark examination guidelines lists many more circumstances and examples than its earlier versions. In practice, it is not easy for a brand owner to prove that the subject mark is not deceptive or has no negative impacts even producing objective evidence showing that the public in China are not misled or harmed after decades of the commercial use. Another problem arising out of this in recent years is that the absolute ban has become an “effective weapon” for trade mark infringers to invalidate a brand owner’s trade marks. Infringement claims will be rejected if the asserted trade marks are invalidated (the invalidated mark is deemed as invalid from the beginning).

The most serious problem for brand owners who have such marks is that the use of these marks now are subject to administrative injunctive orders and fines. While the language that any trade marks violating Article 10.1 shall not be used has existed since 1993, there is no clear legal authority of enforcing such ban on use until the promulgation of the Criteria for Judging Ordinary Trade Mark Violations. Under the current rule, local AMRs is required to enforce the ban against a brand owner’s use of a trade mark that has been ruled by the CNIPA as one violating Article 10.1. This also brings an enforcement obstacle – the recent judicial interpretation to the unfair competition law also makes clear that any claims of product name, trade dress or trade name based on a mark violating Article 10.1 shall be rejected no matter how egregious the defendant is and the high likelihood of confusion among the public.

Given the rigid but expansive application of Articles 10.1(7) and 10.1(8) of the Trade Mark Law under the current practice, brand owners should be much more cautious now when using and enforcing marks that could violate the absolute ban. While this issue has been heavily debated recently, the landscape is not improved and it is still not easy for a brand owner to get its
decades-long trade mark registered or to defend an invalidation petition filed by an infringer. With the new regulations and guidelines, brand owners should assess the existing practice in China and be prepared for administrative raids by local AMRs.

**Stronger Judicial Protection**

*Damages – “compensative” to “punitive”*

From a policy level, the government repeatedly emphasises that damages should be strengthened in order to compensate IP owners and deter infringers. The Supreme People’s Court has improved evidence rules and introduced more practical measures for collecting evidence in the past years in order to solve the “low compensation” problem. Representative cases were also released by different levels of courts to illustrate the rules, and courts have been more active in reviewing claims for punitive damages.

Under the current framework, courts are still cautious in granting punitive damages awards, as the rule requires that plaintiffs provide solid evidence to support their claimed method of damages calculation and to prove the elements required for eligibility of punitive damages. In trade mark infringement cases, proving losses or illegal profits is not easy even with the improvements mentioned above. According to a case study covering trade mark infringement cases from 2013 to 2021, punitive damages awards were granted in less than 2% of the trade mark infringement cases, when such claims were made by plaintiffs.

It is encouraging to see that some courts have begun to consider those “punitive” elements to grant high statutory damages awards when the plaintiffs found it difficult to produce the evidence. For example, Guangdong High Court granted a statutory damages award of CNY5 million, the maximum amount under the current law, in a trade mark infringement case where the plaintiff was unable to provide the basis for calculating punitive damages, by considering the defendant’s repeated and wilful infringement, which are elements for punitive damages. Another similar case was decided by Shandong High People’s Court, and the person in charge was also ordered to be jointly liable for the CNY5 million statutory damages award under the piercing the corporate veil theory.
King & Wood Mallesons (KWM) is an international law firm headquartered in Asia. As an international law firm able to practice in the PRC, Hong Kong, Australia, the UK, the US and the European Union, KWM’s presence and resources are profound. Leveraging its exceptional legal expertise and depth of knowledge in the Chinese market, it advises both Chinese and overseas clients on a full range of domestic and cross-border transactions. KWM’s IP practice offers services covering the full life cycle of intellectual property, from prosecution to enforcement and litigation.

Authors

Jing Xu is a partner at King & Wood Mallesons, Beijing Office. As one of the earliest practitioners in SEP litigation and licensing practice in China, she has been representing clients in high-profile multinational litigation matters before PRC courts and secures favourable results for clients. Jing is also a seasoned litigator in traditional IP regimes, including litigation related to infringements of patent, trade mark and copyright, misappropriation of trade secrets, antitrust, unfair competition, ownership and licensing disputes, patent invalidation and administrative court appeals. Jing is the leading counsel for many milestone cases in China, recently including the first civil action recovering legal costs against trade mark piracy and the first copyright case protecting data of electronic maps.

Wanli Ye is an of counsel at King & Wood Mallesons, Beijing Office. His practice focuses on intellectual property litigation, including litigation related to infringement of patent, trade mark and copyright, unfair competition, and disputes related to standard essential patents, as well as administrative court appeals related to CNIPA decisions. He has represented IP owners across a broad range of industries in several high-profile litigation matters, some of which were selected as “representative cases”. Wanli also helps manage IP criminal and administrative enforcement matters, and advises on prosecution and enforcement strategy.
Chambers Global Practice Guides bring you up-to-date, expert legal commentary on the main practice areas from around the globe. Focusing on the practical legal issues affecting businesses, the guides enable readers to compare legislation and procedure and read trend forecasts from legal experts from across key jurisdictions.

To find out more information about how we select contributors, email Katie.Burrington@chambers.com