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IP UPDATE



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Important Update: Regulations by China Supreme People's Court on Several Issues relating to Administrative Trademark Litigation Involving the Grant and Determination of Trademark Rights Effective 1 March 2017

The Regulations issued by the China Supreme People's Court on Several Issues relating to Administrative Trademark Litigation Involving the Grant and Determination of Trademark Rights (the "Regulations") effective 1 March 2017 would be an important guidance to the court and right owners. It is worth noting that the Regulations expressly provide that the court should consider the Regulations in adjudicating cases where the old 2001 Trademark Law applies.

We list out a few issues that would be of interest to right owners.

1. Relevance Of Applicant's Subjective Intent And Actual Confusion On Protection Of Unregistered Well-known Marks

For cases where the plaintiff challenges the application or registration of a disputed mark on the basis that it is an imitation of the plaintiff's unregistered well-known trademark under Article 13.2 of the Trademark Law, the Regulations specifically stipulated that, among other factors, the subjective intent of the Applicant and

actual confusion in the market should be taking into consideration on the likelihood of confusion.

While the court has regularly taken into account such factors in adjudicating cases on unregistered well-known marks, it is the first time that these two factors are codified in a guidance. This is particularly beneficial to foreign brand owners to withstand pre-emptive filings of famous trademarks by Chinese trademark squatters.

2. Higher Threshold On The Grant Of Cross-class Protection Of Registered Well-known Mark

Under the Regulations, when determining whether to refuse the application or registration of a disputed mark based on the registered well-known trademark under Article 13.3 of the Trademark Law, the court is to take into account, among other factors, whether other marks similar to the relevant well-known mark have been lawfully used in the market in China. Article 13.3 is usually relied on by right owners to seek cross-class protection for their well-known trademarks. This means that where similar marks owned by third parties are allowed to co-exist in different industries, such may affect the protection of the well-known mark. Brand owners are therefore advised to always adopt a defensive filing strategy across classes and only assert the well-known status of any marks as a last resort. A diligent watch service and an effective program to oppose similar marks in other classes would also prevent the dilution of the well-known marks.

3. Family Relationships In Bad Faith Filers

The fact that trademark applications are filed in the name of a family member of the trademark agent, a representative, a distributor or sales agent are now considered as sufficient to establish bad faith collaboration between the applicant and the agent under Article 15 of the Trademark Law, and the relevant applications will likely be refused for

registration. The inference drawn from family relationships will be particularly effective against trademark applications filed by previous business partners in China, who often develop an extensive network of entities for the purpose of pre-emptive and bad faith filings. However, given the difficulty to obtain personal data to establish a family relationship, it remains to be seen what type of evidence is sufficient and to what extent the court is willing to infer a family relationship.

4. Copyright Recordal – Time Is Of The Essence

Finally, the newly implemented Regulations has clearly recognized copyright as a prior right, including the copyright subsisting in a trademark device. The Regulations stipulated that a copyright certificate dated prior to the disputed mark may act a prima facie evidence of copyright. Further, trademark publication and trademark certificate would also give a standing to the relevant party to assert its copyright in the trademark device. This clarifies the evidential requirement but does not suggest that the court would be more ready to refuse trademark applications based on copyright.

In any event, brand owners are advised to file copyright recordal of their device marks in China as soon as practicable so that they can have at hand the copyright recordation certificate to assert and strengthen their copyright claim in future trademark oppositions and invalidations.



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RMB 1 million Fine for Resisting Evidence Preservation Order in Patent Infringement Case

Earlier this year, the Beijing IP Court imposed a RMB1 million fine on a defendant of a patent infringement case for resisting the court's evidence preservation order. This amount is the statutory limit of fines a court may impose for such offences in China.

Both the plaintiff and defendants are Chinese companies. The plaintiff claimed that the defendant had displayed product name and relevant technical parameters related to the utility model patent in dispute on its promotional materials in a trade fair as well as its company website.

After the case was accepted, the Beijing IP court issued an evidence preservation order to seize and detain the defendant's financial records and stock of alleged infringing products. The defendant's staff refused to turn in the requested documents and products on spot when the order was served against them. The defendant's staff refused further request from the Court to provide the documents and products within 3 days after the service of the order, and did not provide such documents and products even during the pre-trial session and the substantive hearing.

This case shows that the IP court has put greater effort in enforcing its evidence preservation order, which is encouraging to patent right owners. The high fines also deter infringers from refusing to abide to the evidence collection order. Under the Chinese law, right owners bear the burden to prove the damages arising from infringement acts. Due to the lack of discovery procedures in China, it is generally difficult to collect evidence to prove profits gained from infringement, such as financial records of the infringers. In order to address this issue, the PRC Supreme People's Court has codified a judicial interpretation in 2016 that if the patentee has submitted prima facie evidence of the benefits obtained by the infringer due to the infringement acts, the court may order the defendant to deliver up the financial books and materials.

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