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## NEWSLETTER

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### IP UPDATE



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## China's Continuous Trademark Reforms: Database for Trademark Squatters and IP Cases System by IP Courts

In recent years, China has been actively pushing forward its trademark reforms. Apart from the acceleration in the trademark registration process in China, we would like to draw brand owners' attention to two recent developments in our article below.

### I. DATABASE FOR TRADEMARK SQUATTERS

Trademark squatting has long been a serious problem in China and the China Trade Marks Office ("CTMO") will continue its efforts in restraining preemptive bad-faith filings in China. In this connection, in the Opinions on Deepening the Reform of Trademark Registration Facilitation and Effectively Raising Efficiency of Trademark Registration (工商总局关于深化商标注册便利化改革切实提高商标注册效率的意见) issued by the State Administration of Industry & Commerce ("SAIC") on 14 November 2017, the CTMO will explore whether or not to make it the trademark owners' obligation to provide use evidence after a certain period of time upon registration or at the time of renewal in order to remove trademarks that are not put into actual use from the register. In addition, the Deputy Director General of the CTMO,

Mr. Cui Shoudong, also shared in the China Trademark Festival held in September 2017 that one of the potential measures in tackling trademark squatting in China may include the development of a database for suspects of bad faith trademark applicants.

As China adopts the first-to-file system for obtaining trademark rights and there is no common law protection for unregistered trademarks saved only possibly for marks with a well-known status which is exceptionally recognized, brand owners always find it difficult to block bad faith applications especially when they do not own any prior trademark registration in China or where such registration is not in the relevant class.

While the requirement for use evidence may be a double-edged sword to genuine brand owners in protecting their marks in China as it would create additional evidential burden on the part of brand owners in maintaining the trademark registrations in China, the intention to establish a database for trademark squatters does signal the CTMO's determination to alleviate the brand owners' burden of proving bad faith and ultimately curb the escalating problem of trademark squatting in China. Although the discussion of the establishment of the database is still at a preliminary stage, and there are numerous uncertainties regarding the establishment of the database, the criteria for inclusion of trademark squatters into the database and whether the database will be open for public inspection etc., such a database, if established, would be expected to enhance the deterrent effect against trademark squatting activities in China. That said, since trademark squatters tend to be individuals or shell companies, even when they are included into the database, they may easily engage in the same activities with a new entity, the effectiveness of such database in curbing the problem of trademark squatting is uncertain.

In any event, we will continue to monitor any development regarding the requirement to provide use evidence and the database for trademark squatters, and publish updates in a timely manner.

## II. IP CASES SYSTEM BY IP COURTS

In 2010, the Supreme People's Court ("SPC") launched the Guiding Cases System in which representative cases from all level of courts would be published as guiding cases for courts to "refer to" while interpreting, clarifying or refining written laws. However, the Guiding Cases System has not been

functioning effectively and in practice, they are rarely cited or considered by courts. To re-build the Guiding Cases System into a more certain and practical precedent system, the SPC has since 2015 implemented the IP cases system at the Beijing IP Court.

The IP cases system adopts a principle that subsequent cases should be adjudicated in accordance with effective judgments and ruling of prior similar cases. While judgments of prior similar cases by higher-level courts should be guiding to lower-level courts, rulings from other courts at the same level should be made reference to by judges adjudicating the pending case. According to Article 7 of the Beijing IP Court Case Guidance Work Implementation Measures, the hierarchy of precedents from most to least persuasive is: Guiding Cases published by the SPC, cases included in the SPC Gazette, cases issued by the SPC, High Court cases, Intermediate Court cases, District Court cases and cases from foreign jurisdictions.

While the IP cases system can be seen as an evolved version of the Guiding Cases System in the area of IP law, many have also compared it as an initiative of case law system. However, it shall be clarified that the IP cases system is to be distinguished from the case law system originated from the common law tradition. In China, a civil law country where court decisions cannot be an independent source of law, the IP precedents only play a guiding role in filling in statutory gaps and refining given statutory rules rather than create new rules. They may be cited as a reason but not a legal basis for a ruling. Although it is unclear that whether the IP cases systems can be used as a national tool by the IP law community in the near future, the case citation rate of the Beijing IP Court has increased and brand owners should note that the IP cases systems will continue, which hopefully will achieve a more uniform application of law in China.