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IP UPDATE



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Top 10 Trademark Developments From China

Anna Mae Koo and Ann Xu of Vivien Chan & Co. (Beijing China) discuss the top 10 updates this year from China.

1. IP INSTITUTIONAL REFORM

Marking the 10th anniversary of the implementation of the national IP strategy, the Chinese Government took a step further to restructure the offices administering various IP rights. The China National Intellectual Property Administration (CNIPA), which was renamed from the former State Intellectual Property Office (SIPO) in August 2018, is now the unified IP office responsible for:

- Registration of patents, utility models and designs – formally administered by the SIPO;
- Registration of trademarks – formally handled by the State Administration of Industry and Commerce; and
- Registration of geographical indications – formally administered by the Administration of Quality Supervision, Inspection and Quarantine.

2. FASTER EXAMINATION TIMEFRAME

According to the 2018-2020 Trademark Reform Plan, measures have been adopted to further improve the efficiency of trademark examination. The current timeframes are:

ITEM	TIMEFRAME
Issue of Filing Receipt	1 to 2 months
Examination of Application	4 to 6 months
Review on refusal	7 to 9 months
Opposition / Invalidation	11 to 14 months
Non-use cancellation	6 to 8 months
Renewal	2 to 4 months
Change of name or address	1 to 3 months
Assignment	6 to 8 months

3. PROPOSED PROVISIONS TO CURB BAD FAITH FILINGS

The CNIPA released the draft "Provisions on Regulating Applications for Registration of Trademark" for public consultation in February 2019.

In addition to existing provisions on bad faith in the Trademark Law, the draft Provisions specify that the following "abnormal" behaviors may serve as basis for refusal, opposition and invalidation: -

- (i) Repeated trademark filing with obvious bad faith;
- (ii) Filing numerous applications within a short period of time, exceeding reasonable limits;
- (iii) Filing applications without actual intention to use the marks or actual need to obtain trademark exclusive right for the applied-for goods/services; and
- (iv) Other acts which violate the bona fide principle, infringing rights of others or disturbing market order.

4. E-COMMERCE LAW TO ASSIST WITH ONLINE PLATFORM INFRINGEMENT COMPLAINTS

The first E-Commerce Law in China came into force in 2019. The law requires that after right holders lodge complaints accompanied by prima facie evidence of infringement with platform operators, operators must immediately take necessary measures, including deleting or blocking links to infringing goods, and informing infringers of the same. Failure to do so may attract liability.

Further, the law is applicable to all e-commerce activities, regardless of the platform type. This effectively assists rights holders to clear up the online marketplace, especially on small e-commerce platforms or social media sites where an effective complaint system was not available prior to enactment.

5. WHETHER OEM USE CONSTITUTES TRADEMARK USE

The position of whether Original Equipment Manufacturing ("OEM") constitutes trademark use in the context of trademark infringement is now widely regarded as settled after the Supreme People's Court ("SPC")'s *Dongfeng* case decision, which the SPC reaffirmed its landmark ruling in the

Pretul case holding that OEM products generally do not constitute infringement.

While the decision re-opens the debate over the same issue in the context of non-use cancellation, e.g. the *Mango* case (*Daya International Co, Ltd. v. TRAB*) applying the same principle and holding that OEM was not trademark use, a recent SPC case (*Montfort Services SDN.BHD. & USA PRO IP Limited v. TRAB*) confirms that OEM use is trademark use.

6. ACTIVELY FIGHTING AGAINST TRADEMARK SQUATTING BY THE COURT

The SPC recently confirmed that squatting trademarks without the intention to put them into genuine commercial use is a valid ground for invalidation, which falls within the scope of the catch-all provision "other illegitimate means" under Article 44 of the Trademark Law.

7. FIRST SOUND MARK COURT CASE IN CHINA

Sound mark has become registrable as per the 2014 amendment to the Trademark Law. While successful registrations have been seen since then, it was not until 2018 that the Beijing High Court handed down its first judgment.

In that case, the Court accepted that while the QQ's (instant messaging software) notification sound (Di-Di-Di-Di-Di-Di) was a common and simple repetition, through long-term use by Tencent, it had established a stable correspondence relationship with QQ and was therefore registrable on the products it was used on.

8. THE PUNITIVE DAMAGES SYSTEM

The head of the SPC recently stated that the Court will use the punitive damages system to resolve the problem that rights violation incurs low costs while defending IP rights brings about high legal costs. It is expected that such punitive damages with compensation exceeding the plaintiff's actual loss and better deter against rights violations.

9. REGISTERING COMPANY NAMES AS TRADEMARKS NO LONGER ALLOWED?

The Trademark Review and Adjudication Board ("TRAB") issued notices stating that registration of full company name was not encouraged since they were generally not recognized as trademarks. Further, any change in the company name and/or transfer of trademarks may lead to confusing situations where the trademarks would not be tally with the owner/assignee's name. More rejections of trademark application for company names have been seen.

10. ESTABLISHMENT OF NEW CYBERSPACE COURTS

Following the establishment of China's first cyberspace court in Hangzhou in 2017, two new cyberspace courts were opened in Beijing and Guangzhou in 2018. The cyberspace courts act as Basic People's Courts and have cross-regional jurisdiction over all cyberspace cases with genuine connection with Hangzhou, Beijing, and Guangzhou respectively.