

Drilling Down into the New China Trademark Examination Guidelines - The Must-Knows

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The China National Intellectual Property Administration (CNIPA) published the new Guidelines for Trademark Examination and Trial on November 22, 2021 with effect from January 1, 2022. The Guidelines bridge the gaps between the previous edition and the amended PRC Trademark Law, which took effect in 2019. For instance, a new chapter concerning the examination of bad faith applications with no intent to use has been added. The Guidelines also consolidate principles and rules set out in previously published guidance documents and codify the existing examination practices. This article spares you the need to read through the 400-page Guidelines by distilling the must-knows and discusses potential impacts on future examination practices.

CLEAR GUIDANCE ON BAD FAITH APPLICATIONS

The amended Article 4 of the PRC Trademark Law confers the CNIPA the power to reject bad faith trademark applications with no

intent to use. This also provides a basis for brand owners to challenge bad faith applications. Guidance documents have since been published explaining when Article 4 can be invoked. The Guidelines summarize factors considered by the CNIPA in practice and provide case examples illustrating the decision-making progress.

The following are the factors that the CNIPA may consider when applying Article 4: -

- (1) Applicants' company status and scopes of business;
- (2) Number of trademarks filed and classes designated by applicants and their affiliates;
- (3) Number of applications filed within a short interval and number of classes designated;
- (4) Whether marks applied for
 - (a) are similar to others' prior marks with certain degree of reputation or high distinctiveness;
 - (b) incorporate geographical names,

- scenic spots, industry terms or other names / terms within the public domain;
- (c) incorporate famous individuals' names, trade names, e-commerce platform names, and character names; or
 - (d) incorporate famous and distinctive slogans, artistic works, designs and other commercial symbols.
- (5) Previous offers for sale of trademarks and failure to provide evidence showing the intent to use before sale or assignment;
 - (6) Whether applicants have compelled others to enter into business cooperation arrangements with them;
 - (7) Applicants' demands for high assignment fees, license fees, monetary compensations for infringements and settlement fees;
 - (8) Prior decisions holding that applicants lack the intent to use, commence infringement actions or lawsuits for profit or are acting in bad faith.

The Guidelines also provide two exceptions to Article 4, namely defensive applications and reasonable number of applications for future business needs.

From the case examples provided, the CNIPA seems to suggest that a large number of filings is not a prerequisite to establish that an applicant is a squatter, which is very encouraging. In one of the examples, the CNIPA found an applicant acting in bad faith, though they only own 20 trademarks, on

the basis that they were unable to establish its intent to use nor explain the origin of the mark applied-for.

We have also observed the same trend in our recent successful cases. Recently, we obtained six favorable decisions against a Chinese squatter which repeatedly files applications for marks similar to our client's. The invalidated trademarks were assigned from a related company of the squatter. Even though the two companies only own 29 trademarks, considering that the squatter was unable to provide any evidence proving its genuine intention to use or explain the origin of the marks, the CNIPA ruled in our favor and invalidated the registrations.

REJECTION OF ASSIGNMENTS

As discussed in our previous Newsletter (<http://www.vcclawservices.com/sources/publications/2021issue11.pdf>), in order to curb bad faith squatting, the CNIPA may reject assignment applications if they are suspected to be made for profit. The Guidelines now codify this examination practice. Objections may be raised if a registrant owns a relatively large number of trademarks and has previously assigned the marks to various assignees. Evidence showing the intent to use the assigned trademarks may be required. If such evidence is unavailable or the CNIPA considers the evidence invalid, the assignment applications may not be approved. Therefore, when negotiating buyback, we recommend including clauses in assignment agreements to deal with

situations of non-approval of assignment applications (e.g. cooperation in responding to objections and voluntary surrender of the trademark(s) if assignment is finally disapproved) and brand owners filing back-up trademark applications.

PROHIBITION AGAINST DECEPTIVE AND MISLEADING MARKS TIGHTENED

In recent years, we have seen more and more objections based on Article 10 of the PRC Trademark Law, which prohibits registration of signs contrary to national and public interests, especially Article 10.1.7 that prohibits registration of signs being deceptive and likely misleading consumers as to characteristics or origins of goods and services. It is expressly provided in the Guidelines that a strict examination standard should be applied in these cases. If a sign possesses multiple meanings or can be used in different ways, as long as any one of the meanings or modes of use falls into any of the circumstances specified in Article 10, it should be rejected. How the sign is actually used will generally not be considered.

From our recent cases, we do observe that examiners will not lightly waive objections

based on Article 10.1.7 unless they are fully satisfied that the marks applied-for will in no way mislead consumers. It is advisable to check the interested mark to see if it possesses any meaning which may mislead consumers or negative meaning before making any applications. We also recommend not including any terms which may suggest characteristics of goods / services to avoid triggering Article 10.1.7.

OEM USE IS EFFECTIVE IN RESISTING NON-USE CHALLENGES

Previously, it was unclear whether original equipment manufacturing (OEM) use constitutes trademark use in the context of non-use cancellation proceedings. Following the publication of the Beijing High People Court's Guidelines for Trial of Trademark Right Granting and Verification Cases in April 2019, which provides that pure export of goods without circulation in Mainland China constitutes trademark use in non-use cancellation proceedings, the Guidelines have also been updated to reflect the same position and provides certainty to brand owners who only engage in OEM activities in Mainland China.