THE COMPLEXITY OF LITIGATING LOCAL MARKS IN CHINA

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March 21, 2023
For Pharmaceutical Trade Marks Group Annual Conference
OVERVIEW

- Trademark-related administrative procedures in China
- Proceedings and forum
- Challenges and Solutions
- Due diligence – your best friend
- Takeaways
OVERVIEW: TRADEMARK-RELATED ADMINISTRATION PROCEDURES IN CHINA
OVERVIEW: TRADEMARK-RELATED ADMINISTRATIVE PROCEDURES IN CHINA

- Why is China so difficult?
  - China is a century late with a trademark protection system compared to the west
  - The first Administrative Litigation Law came into effect in 1990. It was revised in 2014 and 2017.
OVERVIEW: TRADEMARK-RELATED ADMINISTRATIVE PROCEDURES IN CHINA

Why is China so difficult? – Cont.

- First-to-file jurisdiction and “land rush” economy
- Huge amount of trademark activities
  - Examiner’s burden
  - Citations
- Subclassification system based on Nice Classification system
- As a result: squatters and refusals
PROCEEDINGS AND FORUM
Proceedings and Forum

Proceedings heard by the China National IP Administration (the CNIPA)

- Trademark Office (TMO) hears:
  - Trademark applications
  - Trademark oppositions
  - Non-use cancellation proceedings

2+2+1 system

Downloaded from: http://www.cnipa.gov.cn/
PROCEEDINGS AND FORUM

Proceedings heard by the China National IP Administration (the CNIPA) – Cont.

- **Trademark Review and Adjudication Board (TRAB)** hears:
  - Invalidation applications
  - Administrative reconsideration cases decided by TMO:
    - Trademark refusals
    - Non-use cancellation decisions
    - TMO’s *ex officio* invalidations

Source: https://sbj.cnipa.gov.cn/sbj/ssbj_gzdt/202102/t20210208_20279.html
PROCEEDINGS AND FORUM

- Proceedings heard by Courts: Administrative litigation

Level-based trial system - the second instance is the last instance:

- First instance
- Second instance

Additional remedies:

- Retrial
- Administrative Protest
First instance administrative litigation

- **Beijing IP Court** hears the appeals against the reconsideration cases made by TRAB:
  - Appeal against the refusal of a trademark registration
  - Appeal against a non-use cancellation decision
  - Appeal against an opposition decision (filed by the applicant of the mark)
  - Appeal against an invalidation decision
P ROCEEDINGS AND FORUM

- First instance administrative litigation – Cont.

- Features
  - Legalized litigation formality documents*
  - Can file new evidence
  - Normally takes about 6 months to conclude
  - Reliance on CNIPA’s decision

(* China acceded to the Apostille Convention on March 8th, 2023, CIF November 7th, 2023)
Second instance administrative litigation

- **Beijing High People’s Court** hears Beijing IP Court’s decisions

Features:
- Do not need a new set of litigation documents
- Can file new evidence
- Examination normally carried out based on paper though oral hearing can be requested
- Takes around 4-8 months to receive decision
- Voluntary suspension of cases – the judge’s discretion
- The decision will take effect

Downloaded from: https://www.bjcourt.gov.cn/fyzy/detail.htm?id=1
PROCEEDINGS AND FORUM

- Retrial - Trial supervision proceeding

  - **Beijing High People’s Court**, or
  - **Supreme People’s Court**

  - If the applicant has objections with the facts or major evidence recognized by the second instance court, the retrial shall be filed with Beijing High People’s Court.
  - If the applicant has no objection with the facts but only disagrees with the application of law, the retrial shall be filed with the Supreme People’s Court.

Source: <Implementation Measures for Improving the Pilot Reform of Trial Level Function Orientation of Four Level Courts> / 《关于完善四级法院审级职能定位改革试点的实施办法》, came into effect on October 1, 2021
PROCEEDINGS AND FORUM

- Retrial - Trial supervision proceeding – Cont.
  
  - **Beijing High People’s Court**, or
  - **Supreme People’s Court**

  **Features:**
  - To be filed within 6 months after the second instance decision
  - Litigation documents required
  - Commonly heard on paper
  - Takes about 3-5 months to receive decision
PROCEEDINGS AND FORUM

- Protest - Trial supervision proceeding
  - the People’s Procuratorate

Features:

- People’s procuratorate has the power to protest a ruling made by people’s court and request the court to retry the case
- Filed within 6 months after the re-trial decision or the rejection of the retrial application
- Protest can be lodged based on limited reasons

Source: https://www.spp.gov.cn/spp/zhuanlan/202108/t20210806_526277.shtml
CHALLENGES AND SOLUTIONS
Overview

Once the trademark has been refused, bear in mind when filing an appeal:

- The CNIPA relies heavily on the Classification Guide when determining confusion.
- It is difficult to convince the CNIPA to ignore the Classification Guide.
- Supreme People’s Court clarified the Classification Guide should only be used as a reference when determining trademark similarities.
- IP court is less technical or restrictive than CNIPA.
CHALLENGES AND SOLUTIONS

Overview – Cont.
Once the trademark has been refused, bear in mind when filing an appeal:

- China is a civil law jurisdiction based on Germany
- In civil law there is no discovery, no obligation on the other party to produce evidence
- Evidentiary weight is given to documents agreed upon by both parties
- Or verified by third parties such as notaries
- Little weight is given to documents produced by one of the parties – such as affidavits or oral testimony
CHALLENGES AND SOLUTIONS

- No suspension system
  - Back-up application strategy in contested cases
  - Goal: contain and resolve the dispute within the CNIPA level.
  - Real case:

![Diagram of trademark application process]

- File Application 2021.10
- File Appeal 2022.01
- Unfavorable Appeal Decision 2022.08
- Favorable Decision 2023.01
- Submit Decision 2023.03
- Ongoing
CHALLENGES AND SOLUTIONS

- No suspension system – Cont.
  - Don’t get stuck in a rut!

![Image of a van stuck in the mud with people pushing it]
CHALLENGES AND SOLUTIONS

¢ No suspension system – Cont.
  • Don’t get stuck in a rut!
  ¢ Re-assess and incorporate practice changes into your strategy
  ¢ Case study:

Taking actions to overcome obstacles: non-use cancellations, argue dissimilarities, consent letters

Original Trademark Application

1st Round Back-up Application

2nd Round Back-up Application

Filing Date
2019.06
Initial Refusal by TMO
2019.11
Appeal to TRAB
2019.12
Unfavorable decision from TRAB
2020.06
Appeal to Beijing IP Court
2020.08
Partially favorable decision from Beijing IP Court
2021.03
Appeal to Beijing High People's Court
2021.04
Favorable decision from Beijing High People's Court
2022.12

Filing Date
2020.03
Refusal Notice from TMO
2020.09
Appeal to TRAB
2020.10

Filing Date
2020.10
2001 Refusal notice from TMO
Practice shift on consent letters
CHALLENGES AND SOLUTIONS

- Complex squatting tactics and creative solutions

Shell companies established in tax havens applied for trademarks copied from western businesses:

- Not enough corporate information can be found;
- Each shell company applied for a small amount of trademarks (less than 10);
- Using the same trademark agent in China

Policy trend: regulating trademark agency’s conduct
CHALLENGES AND SOLUTIONS

- Subclassification system
  - Classification Guide in Chinese

- Wares and services in different subclasses of the same general Class are by default deemed not to be similar
  - E.g. Class 25 clothing (2501-2505); headwear (2508); footwear (2507); socks (2509)

- Cross-reference rules
  - E.g. nutritional supplements (0502) & vitamin supplements (0501) & honey and other nutritional foods (3005);

- Drafting the description of wares/services
  - Amendment notices
  - Recommendations
CHALLENGES AND SOLUTIONS

- Common grounds of refusal
  - Prior similar marks
    - Examples:

  1. Refused application
     Cited mark

  2. Refused application
     Cited mark
CHALLENGES AND SOLUTIONS

- Common grounds of refusal
  - Prior similar marks – Cont.
    Examples:

(3) Refused application
    Cited mark

(4) Refused application
    Cited mark
CHALLENGES AND SOLUTIONS

- Common grounds of refusal
  - Prior similar marks – cont’d
    - how to overcome:
      - argue dissimilarity;
      - consent letters;
      - assignment;
      - offensive strategy to actively remove citations + back up application
DUE DILIGENCE – YOUR BEST FRIEND
DUE DILIGENCE – YOUR BEST FRIEND

- Due diligence

- “KYS” - Know your squatters

KNOW YOUR CUSTOMER
Due diligence – Cont.

- What to look for:
  - How many trademarks are under the name of the squatter and what are the other marks (trademark warehousing)
  - Whether it advertises to sell the marks (lacks real intention to use)
  - The trademark applications of the affiliated companies (bad faith in warehousing; malicious enforcement litigation)
  - Previous litigation history
DUE DILIGENCE – YOUR BEST FRIEND

- Due diligence – Cont.
  - CNIPA decisions and court decisions are available online in Chinese
    - [http://wenshu.court.gov.cn/Index](http://wenshu.court.gov.cn/Index)
Due diligence – Cont.

1. Enterprise Credit Information
2. List of enterprises with abnormal operations
3. Enterprises with serious illegal and dishonest acts

http://www.gsxt.gov.cn/index.html
DUE DILIGENCE – YOUR BEST FRIEND

Due diligence – Cont.

**Public information:**
Company basic information, license approval, administrative penalties, abnormal business status, annual report, etc.

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提示：根据《市场主体登记管理条例》及其实施细则，按照《市场监管总局办公厅关于调整营业执照照面事项的通知》要求，国家企业信用信息公示系统将营业执照照面内容作相应调整，详见https://gkml.samr.gov.cn/nsjg/djzcj/202209/t20220901_349745.html
TAKEAWAYS
TAKEAWAYS

• Setting expectations

• Familiarize yourself with the appeal route

• Use common and creative solutions

• Know your squatters
QUESTIONS?

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