



Chofn English Articles in 2022

Chofn Intellectual Property

#703, 7th Floor, Glory Star Financial Tower, Building 3, No.16 Lize Road, Fengtai District, Beijing 100073, P.R. China

T: +86-10-6213 9699

F: +86-10-6213 1230

E: trademark@chofn.cn; mail@chofn.cn

W: www.chofn.com

The rights of all articles are solely preserved by Chofn IP.

CHOFNTM
Chinese IP Services

Contents

Weeding out Bad Faith Trademarks	3
Trademark Pirates Begin to Pay the Price in China	6
New Balance Wins N Trademark Case in China	9
China: Infringement Liability with a Registered Trademark	12
Pros and Cons of International Trademark Registration in China	14
CNIPA Puts Exhibitions on Notice About IP Infringement	16
Overcoming Citations: LOC or NUC?	17
Beijing High People's Court has Produced New Guidelines on IP Punitive Damages	18
Three Key Trademark Developments in China	20
Trademark Use on Promotional Gifts in China	22
Tricky and Malicious IP Infringers Punished	25
CNIPA Views on Class 35 Services	27

CHOFN

Weeding out Bad Faith Trademarks

By [Ms. Haoyu Feng](#)

In December 2021, the China National Intellectual Property Administration (CNIPA) issued penalties against two trademark agencies by suspending acceptance of one agency's trademark cases for 12 months and permanently barring trademark cases from the other.

This article analyses these decisions and the laws and regulations that assist trademark owners and professionals in understanding and avoiding possible losses due to trademark agencies' improper conduct.

Outline of the punishment

One of the punished agencies is Jiangsu Bai-Nian Trademark Agency (Bai-Nian).

From January 2018 through to March 2020, Bai-Nian filed, in the name of its three controlled companies, up to 803 trademark applications, including many trademarks identical to or like trademarks used by others, and sold these trademarks for profit.

The CNIPA deemed that Bai-Nian's conduct constituted severe legal breaches due to its obvious bad faith, long duration and the noticeably large number of illegal trademark applications filed. The IP office decided to permanently stop accepting this agency's trademark cases.

The other punished agency is Guangzhou Zhong-Chuang International Brand Management (Zhong-Chuang).

From January 2019 through April 2020, Zhong-Chuang filed 635 trademark applications on behalf of 58 companies registered in Colorado, US; London, UK; and Hong Kong, China.

The registered company names of these 58 applicants were identical to those of large brands, including Amazon, Hasbro, Disney, Kimberly-Clark Worldwide and Bayer.

However, there was no relationship between the agencies' filings and these international companies.

These 58 applicants were intended to cause misidentification. Of the 635 trademark applications, 224 applications are identical to or like trademarks registered or used by the true owners. The CNIPA deemed that Zhong-Chuang's conduct severely disturbed the trademark representation market and decided to suspend acceptance of its trademark cases for a period of 12 months.

Legal basis of the punishment

To curb bad faith filings, the revised Chinese Trademark Law prescribes more responsibility for trademark agencies, holding that:

“Where a trademark agency knows or should know that a trademark application was filed in bad faith and without intention to use, or constituted an agent’s or representative’s piracy of a principal’s trademark, or piracy of a third party’s prior used trademark with certain fame, namely, violating Articles 4, 15 and 32 of the Trademark Law, the trademark agency shall refuse the applicant’s entrustment”; and that:

“Trademark agencies shall not file trademark applications in their own name on goods and services other than ‘trademark agency services’ in class 45”.

The scope of the application of the above restrictions has been expanded. This means that where a Chinese company’s registered business scope covers “trademark agency services” or “IP agency services”, even if it has not been registered as a trademark agency and it has no business relating to trademark agency, its trademark application on goods or services other than “trademark agency service” in class 45 will be directly rejected.

The good news is that such restriction on applicants’ registered business scope is not applicable to foreign entities.

These restrictions have contributed significantly to curb bad faith filings. However, there are still some applicants and trademark agencies who try to evade them.

In the first case of punishment, the business scope of the three applicants did not cover “trademark agency services” or “IP agency services”, but they all bore the name “Zhongming Liu”, who was discovered to be a Bai-Nian shareholder.

In the second case, there seems to be no shareholding relationship between the trademark agency and the 58 applicants. However, all the applications of these 58 companies were handled by an executive named Liuliu Luo of the agency, undoubtedly not a coincidence.

Lessons to learn

On December 10, 2021, the United States Patent and Trademark Office (USPTO) issued its final order for sanction against Huanyee Intellectual Property for violating the USPTO’s trademark rules of practice.

Accordingly, all trademark application proceedings involving submissions by Huanyee, namely more than 15,000 US trademark applications, were ordered to be terminated. The trademark owners’ loss can hardly be calculated.

Compared with the USPTO’s order, the CNIPA’s decisions of temporary suspension and permanent termination, are far lighter. The trademarks filed by the two agencies were not directly cancelled or

invalidated. Nevertheless, trademark applicants in China, especially foreign applicants, still need to be more careful to select reliable trademark agencies.

For example, when and if a registered trademark encounters non-use cancellation, the Notification of Response will be served to the recorded trademark agency as well as the “domestic documents receiver” which is normally filled in with the name of a staff member on the trademark agency.

In this scenario, the punished agencies’ failure to report or forward the said Notification of Response will probably result in the cancellation of the trademark in question.

The second case of punishment also suggests a new direction for exploring opposition or invalidation grounds. It has become highly advisable to check the opposed parties’ registered business scope to find out whether “trademark agency services” or “IP agency services” are covered. It is also recommended to extend the exploration to opponents’ related companies. The related companies’ engagement in trademark agency services might also help prove the opposed parties’ bad faith.

New trends

According to official statistics, in the first 11 months of the year 2021, the CNIPA rejected or disapproved more than 480,000 bad faith trademarks without intention to use.

Administrative punishment is no longer restricted to trademark applicants, but also includes trademark agencies. Such new trends show the government’s determination to curb trademark piracy. We hope these restrictions upon trademark agencies will help build a healthier and more prosperous IP market.

Haoyu Feng is attorney-at-law and partner at Chofn IP. She has extensive experience in trademark prosecution, IP enforcement, and corporate IP strategy consulting and can be contacted at: mail@chofn.cn.

Trademark Pirates Begin to Pay the Price in China

By [Ms. Haiyu Li](#)

Trademark pirates have been bothering legitimate trademark owners in China for many years. Owing to China's strict first-to-file principle and little consideration of the earlier use or fame of the legitimate trademark owners, pirates have been profiting from hoarding big numbers of others' brands and setting obstacles for the legitimate owners.

Consequently, trademark piracy became highly profitable and rampant. Some legitimate owners have been forced to suspend business and spend substantial resources and time on initiating oppositions, cancellations, invalidations, even lawsuits, but at very low rates of success. Many others make concessions by paying for royalties or buying back the pirated trademarks.

In recent years, China revised its trademark law, particularly aimed at trademark piracy. In addition, the administrative authorities also released many regulations to prevent pirates from abusing their pirated rights, putting many on the blacklist and punishing a large number of pirates and their representing trademark agencies. The rate of the legitimate owners' success has gone up substantially.

As a result, the trend has begun to change for the better, and it has become increasingly difficult to profit from piracy. What is more, in late 2021 and early 2022, the Chinese courts further progressed by making a few rulings to order the pirates to compensate the legitimate owners' expense on the initiated legal actions. This is a good sign that the pirates have begun to lose money for their acts and that the legitimate owners may possibly recover their expenses.

In this article, I would like to introduce a recent case **represented by Chofn lawyers** where the Chinese courts improved their practices to protect the legitimate owners' lawful rights and interests.

● Case in brief

The first-instance court ruled that Shenzhen Teyou Technology Co., LTD.'s ("defendant A") trademark pirating acts have disturbed the market competition order, harmed the lawful rights and interests of the plaintiff, Shanghai Fanrong Network Technology Co., LTD., and constituted unfair competition.

The other two defendants were a couple of husband and wife who operate defendant A, but were not adjudicated as liable for the infringing company act. Defendant A appealed, but the Intermediate People's Court of Shenzhen sustained the first-instance ruling in its final judgment.

The plaintiff, a cosmetics enterprise, is the licensee of “真珠美学” (Zhen-Zhu-Mei-Xue, literally meaning “true-pearl-aesthetics”, hereinafter referred to as Zhen-Zhu-Mei-Xue) and the “Pearlosophy” series marks in class 3. The earliest registration of the foregoing trademarks dates back to 2009. In addition, the plaintiff also registered the domain name “pearlosophy.com” in 2005. The plaintiff has

been using the foregoing marks extensively and also invested heavily in promotion. The foregoing marks have gained certain popularity and influence on beauty makeup and skincare products in mainland China.

Defendant A preemptively applied for registration of the trademarks “Zhen-Zhu-Mei-Xue” and “Pearlosophy” in classes 9 and 35, and registered the domain names “pearlosophy.net” and “pearlosophy.org”. The plaintiff filed oppositions and invalidation against defendant A’s said trademarks, and also filed domain name disputes against the two infringing domain names. These procedures cost the plaintiff years and considerable resources.

Defendant A, based on its registration for “Zhen-Zhu-Mei-Xue” on “mobile phone applications, downloadable, etc.” in class 9, filed several complaints with the App Store against the plaintiff’s use of the name “Zhen-Zhu-Mei-Xue” in its App, which was operated to promote and sell cosmetics bearing the brands “Zhen-Zhu-Mei-Xue” and “Pearlosophy”.

The plaintiff sued the defendants for unfair competition. At the litigation stage, the plaintiff stressed the defendants’ malice and claimed that the defendants’ acts of preemptively registering others’ trademarks and domain names have constituted unfair competition. The plaintiff petitioned for the defendants’ compensation for the plaintiff’s losses and expense in taking the legal actions and business damage.

In the first instance, the court accepted the plaintiff’s reasoning that according to Article 6.4 of the Anti-Unfair Competition Law, a business operator shall not conduct confusing acts to mislead people that its goods are others’ or have a specific connection with others. The plaintiff’s trademarks are coined words with strong distinctiveness. Therefore, defendant A maliciously registered the same trademarks in other classes, clearly knowing the plaintiff’s prior used and registered trademarks have acquired certain fame.

Although the infringing trademarks mentioned above have been disapproved of registration due to the plaintiff’s oppositions and invalidation, the plaintiff spent a lot of manpower and expenses thereon.

In conclusion, defendant A’s acts have disturbed the plaintiff’s normal business operation and the fair market competition order and have constituted unfair competition. The courts granted damages of CNY 200,000 (around US \$30,000) to cover the plaintiff’s expenses on the lawsuit, trademark oppositions and invalidation, and complaint against domain name squatting and ordered defendant A to transfer the squatted domain names to the plaintiff.

● Comments and advice

In the past, the legitimate owners could, if successful, remove pirated trademarks from the register through legal procedures but had to bear the expenses on their own. **Now the owners should pursue more aggressively compensation for their expenses through separate lawsuits, to put the pirates at higher risk of economic loss.**

If the legislators can go further by automatically granting damages to winners of trademark oppositions and invalidations and/or ordering the pirates to transfer the pirated trademarks to the legitimate owners, trademark piracy might be more effectively curbed in China.

The judgment provides a useful reference for other legitimate owners to combat trademark piracy and recover their expenses. To expedite favorable settlement, it is advisable to cite the recent precedents to force the pirates to make an earlier concession. It is also advisable to take joint actions to claim higher damages against pirates that preemptively register many different legitimate owners' brands.

Chofm IP



New Balance Wins N Trademark Case in China

By [Ms. Haiyu Li](#) and [Mr. Tingxi Huo](#)

On March 12, 2022, the Shanghai Intellectual Property Court gave its final judgment (number 2021Hu73MinZhong301) on the trademark infringement and unfair competition dispute between New Balance Athletics, Inc. (the plaintiff) and three defendants New Barlun (China) Co., Ltd. (defendant A), Shanghai Shiyi Trading Co., Ltd. (defendant B), and Shanghai Lusha Industrial Development Co., Ltd. (defendant C).

We summarize the case and draw out some key lessons.

Defendants A and B, respectively the registrant and licensee of the disputed trademark number 3954764 for shoes in class 25, were held jointly liable for damages of CNY25 million (about \$3.7 million). Defendant C, as one of the retailers, was jointly responsible for damages of CNY100,000 (\$14,815).

Plaintiff's Trademark	Defendant A's Trademark
	
No. 5942394, "Athletic shoes", Class 25 Published for opposition on August 6, 2010 Registered on September 13, 2016	No. 3954764, "Shoes", Class 25 Registered on May 14, 2012 Declared invalid on September 29, 2019

The courts considered the two marks to be similar. They found that defendants A and B deliberately used the disputed trademark on both sides of the shoes, making the parties' marks highly similar in actual use. Taking into consideration the high fame of the plaintiff's trademark, the duration and scale of the defendants' use, the extent of subjective malice and sales figures of the infringement, the first instance court awarded high damages to the plaintiff in the first instance. The Shanghai Intellectual Property Court upheld this decision in the second and final instance.

The courts have clarified some important issues in the ruling.

- **Bad faith sours everything**

First, registration in bad faith cannot be an armor for the holders to safely use the trademark even if its registration is approved by the China Trademark Office. The disputed trademark was actually

registered in 2012 but was later invalidated in 2019. Under Article 47 of the Chinese Trademark Law, a registered trademark that is invalidated is deemed as non-existent from the beginning. The use by defendants A and B thus constituted infringement and the registration did not exempt the defendants from liability.

Secondly, the bad faith trademark user shall still bear liability for damages during the period from publication through registration of the plaintiff's trademark. According to Article 36 of the Law, compensation shall be made for the losses caused to the registrant by the bad-faith user. The plaintiff's trademark (number 5942394) was published for opposition on August 6, 2010, but was registered until September 13, 2016 due to the opposition, appeal and lawsuits initiated by defendant A. In other words, there was a six-year gap between the publication and registration. As defendants A and B acted in bad faith in registering and using the disputed trademark, they bear liability for the infringement before the registration approval date.

Thirdly, bad faith also undermines the subsequent acquisition. Defendant A is the third holder of the disputed trademark, the previous two holders being defendant A's affiliated companies. In 2006 and 2012, the two previous holders' use of the disputed trademark was ruled by other courts to be infringement of the plaintiff's distinctive logo for famous products. Defendant A had well known the facts but still acquired the disputed trademark and granted a license to defendant B. Such acts cannot justify the defendants' use, but simply demonstrate defendant A's bad faith.

This leads to two important conclusions:

- 1. As earlier trademarks registered in bad faith are fragile, if needed it is advisable to contest such trademarks.**
- 2. The acquisition of a bad faith trademark might risk losing the trademark or investment. Therefore, it is safer to re-file your own application even if you have acquired the trademark.**

● **The statutory maximum damage may not be the ceiling**

In this case, the defendants refused to provide accounting records or evidence in their possession, so the courts used their discretion to determine the damages. Considering the plaintiff had exhausted its efforts to prove that the actual profit earned by defendants A and B was obviously higher than the statutory maximum damage of CNY5 million prescribed under Article 63 of the Trademark Law, the courts were not limited by the maximum, but used their discretion to award damages of CNY25 million, including the plaintiff's reasonable expenses, to stop the infringement.

As China has no discovery, rights holders need to prove their own loss or the infringer's profit caused by the infringement to claim damages. It is highly advisable to **do your best to collect evidence to support your claim for damages. But it is also advisable to request the courts to order the infringers to submit the account books or evidence in their possession, and, if applicable, claim damages higher than the ceiling amount. The infringers' refusal or provision of false evidence**

might result in the courts' dependence on the rights holders' one-sided evidence, particularly after the rights holders have exhausted their efforts.

Chofm IP


China: Infringement Liability with a Registered Trademark


By [Ms. Haiyu Li](#)


The Intermediate People's Court of Foshan City recently published its judgment on a trademark infringement dispute between Foshan Flying Deer Ceiling Fan Factory (the plaintiff) and Guangdong Flying Deer Electric Appliance Co., Ltd. (the defendant). This ruling clarifies whether the use of a registered trademark before it is invalidated constitutes infringement.

According to the ruling, a later invalidated trademark registration provides no rights or defenses to the owner in an infringement action. That former registrant may be liable for trademark infringement for the lifetime of the invalidated trademark registration, irrespective of whether the infringing conduct occurred before or after the date of the invalidation decision.

The defendant established its business in 2003 and adopted the trade name FLYING DEER in Chinese

characters and registered the design mark “” (registration no. 9575197) for “fans [air-conditioning], etc.” in 2012. That trademark registration was subsequently invalidated in September 2019 by Foshan Dongyuan Household Electrical Appliance Management Co., Ltd. (Foshan

Dongyuan). Foshan Dongyuan is the owner of a trademark registration for the mark “”, FLYING DEER in Chinese characters, as well as the logo design (registration no. 307540) for “electric fans, etc.” registered in 1998. That invalidation action was granted on grounds of being similar to Foshan Dongyuan's prior registered marks.

The plaintiff in the infringement action is the licensee of the registered trademark “”. The plaintiff obtained authorization from the current owner and was authorized to enforce the trademark rights independently.

The defendant and plaintiff are both located in Foshan city and do business in the same industry. The plaintiff initiated the first-instance infringement lawsuit in 2017 and claimed that the defendant's infringing acts occurred between 2016 and 2019.

The defendant argued that, before the China National Intellectual Property Administration invalidated the disputed mark in September 2019, use of the registered mark was legitimate and did not constitute infringement. The court found that the defendant deliberately filed the application containing a similar logo mark to a part of another's prior registered trademark and used the imitating logo mark combined with wording contained in the foregoing prior registered trademark. The court decided that this use undoubtedly constituted bad-faith infringement. The court confirmed that a successful invalidation action results in the registration being declared *ab initio*, so the use of the registered disputed mark is not a defense to allegations of infringement.

The judgment sets a good example for other legitimate owners about combating trademark imitation and infringement. **Registration of a trademark is not equivalent to absolute legitimacy. The use of a registered trademark might still constitute infringement if the registration was acquired illegitimately.** Legitimate rights owners should proactively protect their rights by objecting to a trademark registration for an infringing mark through invalidation proceedings followed by filing a civil lawsuit for trademark infringement and damages.

Note: This article is also published in INTA Bulletin with the link below.
<https://www.inta.org/perspectives/china-infringement-liability-with-a-registered-trademark/>

Chofm IP

Pros and Cons of International Trademark Registration in China

By [Ms. Haiyu Li](#)

A trademark can be registered in China through either a direct national registration (NR) or an international registration (IR), namely the Madrid system.

I would like to summarize the advantages and disadvantages of IR as follows for your easy information:

- **Advantages:**

1. **Liberal specification:** The China National Intellectual Property Administration (CNIPA) provides a list of acceptable goods or services, which is more friendly to IR.
2. **Possible lower cost:** The basic official fee for NR via e-filing is CNY270 (≈USD40) per mark per class. If the number of designated goods or services exceeds the basic ten items, each additional item costs an extra CNY27 (≈USD4). The extra cost does not happen to IR, no matter how many items of goods or services are designated.
3. **Possible convenient management:** If no official action arises, an IR designating multiple countries, with China included, can be managed consistently and save the holders' resources and time.

- **Disadvantages:**

1. **Certificate of registration not auto available:** A Chinese registration certificate is routinely issued for a NR, but not for an IR. However, the certificate is often necessary for trademark enforcement or even for doing business locally, particularly for opening stores online or offline. Extra resources have to be spent on applying for the certificate.
2. **Possibly inaccurate translation and/or protection scope:** China has a unique subclassification system to define the protection scope. IR needs to be translated and classified by the CNIPA. If inaccurate classification and/or translation arise, enforcement might be problematic. Therefore, it is advisable to re-check the classification and translation and request for correction if necessary.
3. **Possibly later enforceability:** IRs are not enforceable, at least before the 12-month or 18-month examination period under the Madrid Agreement/Protocol expires if refusal or opposition does not arise, whereas smooth NRs may mature into registration in about 7 months and are enforceable immediately.

With regard to non-traditional marks such as 3D marks, collective or certification marks, the CNIPA has special requirements and examination criteria and often issues official actions. In case of NRs, local counsels might more efficiently communicate with the CNIPA.

In short, IRs are advantageous in terms of fees and management, but disadvantageous in terms of enforcement. The right holders and counsels should weigh the pros and cons before selecting IR or NR.

Choform IP

CNIPA Puts Exhibitions on Notice About IP Infringement

By [Ms. Haiyu Li](#)

To further standardize the administration of intellectual property (IP) protection at exhibitions, the China National Intellectual Property Administration (CNIPA) issued Guidelines for IP Protection at Exhibitions (the Guidelines) on July 20, 2022. The Guidelines apply to IP protection at online and in-person economic and technological trade fairs, exhibitions, and similar events in China.

The Guidelines consist of 22 articles in four sections. The first section covers general issues such as application scope and principle. The second to fourth sections specify the IP protection measures before, during, and after exhibitions. Compared with the Measures for IP Protection at Exhibitions that were implemented in China on March 1, 2006, the Guidelines include more detailed and operable provisions, particularly the provisions highlighted here:

1. The application scope of the Guidelines covers not only in-person exhibitions but also online ones;
2. Such necessary clauses as the commitment of voluntary compliance with IP protection rules and non-infringement, explicit indication of the IP rights associated with the displayed items, and cooperation with the inspections shall be stipulated in the exhibition participation contracts;
3. Workstations shall be set up if necessary, and their responsibility range includes providing preliminary judgment on the infringement complaint, coordinating with the exhibition organizers to deal with the potential infringement, and transferring the complaint materials to the local IP administrative organs or the relevant enforcement organs, etc.;
4. The information on IP complaint channels and methods shall be published at the exhibitions;
5. If the respondent fails to file written counterstatements and evidence without justified reasons within 24 hours after receiving the complaint notification, the infringement fact has been affirmed by effective legal instruments, or the respondent confesses the infringement, the workstation shall coordinate with the exhibition organizer to take immediate measures, including but not limited to removing the infringing booth from the exhibition, covering and deleting the infringing information, blocking and disconnecting network links; and
6. In addition to recording the infringement of the exhibition participants, any malicious complaint act should be recorded by the exhibition organizers.

Generally, exhibitions are held for short periods and in specific places. Once IP infringement occurs, an exhibition may face many difficulties in stopping the infringement promptly. The workstations at exhibitions and the application of the Guidelines are undoubtedly very significant in providing urgent remedies, though perhaps only efficient in clear-cut cases.

Overcoming Citations: LOC or NUC?



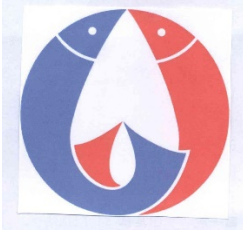
By [Ms. Haoyu Feng](#)

In June 2022, the Beijing High People’s Court finally upheld the China National IP Administration’s (CNIPA) initial rejection and the Beijing IP Court’s first-instance judgement that the cited mark NUTREX, #832232, has posed obstruction to Nestle’s mark NUTREN, #37003069, in class 5. The Court ruled that the applied-for mark is very similar to the cited mark NUTREX, #832232 and that the marks, if simultaneously used on the same or similar goods, might confuse or mislead the relevant public, in spite of the second cited mark holder’s consent, though the consent from the holder of first cited mark NUTREND, Int’l #911718 had been accepted by the CNIPA in the initial review procedure in May 2020.

The CNIPA is growingly strict with letter of consent to overcome citation, but the subsequent courts are somewhat liberal. However, in the pharmaceutical area, both the CNIPA and the courts are very careful to accept such consent, because they are concerned that medicines are more directly related to human health and life. Of course, I personally think that the three marks are very similar in the eyes of Chinese consumers who are illiterate of Latin. This reflects the Chinese authorities’ lower tolerance of co-existing similar marks in classes 5, 10 and 44 than in other classes.

The CNIPA’s and court’s attitude was also reflected in another case relating to pharmaceutical goods, where the Beijing IP Court upheld the CNIPA’s citation. As we can see, the applied-for mark consisting of a two-fish device and the word “U.G.A.” was obstructed by a “U**GA” mark and a two-fish device mark. It seems that the combination fails to lower the similarity. However, the rejection was then overruled by the Beijing High People’s Court, also in June 2022, due to the non-use cancellation of the two cited marks.

Unlike the above-mentioned case, the applicant of this case overcame the citations through non-use cancellations which succeeded until the second-instance of administrative lawsuit. Since the CNIPA’s review procedure is taking around eight months now, applicants need to be prepared to “fight” till the lawsuit procedure to get the result of non-use cancellations. As such, it is advisable for pharmaceutical companies to do their homework early and take proper actions to overcome prior marks in China.

Applied-for Mark	Cited Mark 1	Cited Mark 2
		

Beijing High People's Court has Produced New Guidelines on IP Punitive Damages

By [Ms. Haoyu Feng](#) and Mr. Jing'an Yang

To date, China has relatively complete legislation for IP punitive damages with the principle of punitive damages in the Civil Code of China at the core, and specific provisions of punitive damages for different types of IP in the Trademark Law, Patent Law, Copyright Law, Anti-Unfair Competition Law and Seed Law.

In practice, the volume of lawsuits involving punitive damages increased significantly in recent years. According to the Supreme People's Court's (SPC) statistics issued in April this year, the courts at different levels granted punitive damages in 895 cases in 2021. Accordingly, the courts became more experienced in applying punitive damages. On this basis, to standardize the application of punitive damages and provide a more specific and definite guide to the trial of IP cases, the SPC and some local courts have made judicial guidelines concerning IP punitive damages.

The latest one is the Beijing High People's Court Guidelines on the Application of Punitive Damages in the Trial of IP Infringement Civil Cases (hereinafter referred to as "the Guidelines") released on April 25, 2022. The Guidelines cover almost all issues relating to IP punitive damage, including applicable principles, important concepts (e.g., willful infringement and serious scenarios), methods of calculating base amount and multiples of damages, procedures, online infringement etc. We would like to draw attention to the following highlights:

1. The Guidelines affirm that punitive damages shall be applied subject to right holders' petitions. In other words, without right holders' petitions, punitive damages shall not be applied on the courts' own initiative. Right holders are also required to specify the base amount, its determination and calculation methods as well as the multiple thereof and the total of the damages and provide relevant evidence. The Guidelines also specify that claims for punitive damages shall be raised before the end of the court arguments in the first instance.
2. The Guidelines define "willful infringement" and "serious scenarios", namely, the two necessary conditions for punitive damages according to the Chinese laws.
3. The Guidelines provide the methods of calculating punitive damages in detail. The total amount of punitive damages shall be the base amount plus the product of the base amount and its multiple. However, determination of the base amount is a challenging problem in practice. Therefore, the Guidelines have elaborated on this issue. Relevant laws set out three figures, namely, the right holder's actual losses caused by the infringement, the infringer's profits gained from the infringement, or the reasonable multiple of the royalty. The Guidelines provides corresponding information on the calculation of these three figures.

As a matter of fact, adopting “infringer’s profits gained from the infringement” as the base amount is normally the most conducive way for an IP holder to claim higher damages. The Guidelines provide regulations for calculating such profits as exhaustive as including how to work out the profit per unit of goods. Meanwhile, **the Guidelines also take into consideration the right holder’s difficulty in collecting evidence for the “infringer’s profits gained from the infringement” which is mainly under the infringer’s control and have stressed the rule of spoliation of evidence to enhance the feasibility of claiming punitive damages. In a growing number of lawsuits, the rule of spoliation of evidence has been applied.**

Additionally, regarding the aforesaid issue of calculating the “infringer’s profits”, there once existed controversy and different approaches on considering the contribution of the IPRs or not. Correspondingly, the Guidelines have affirmed the necessity, and furthermore, listed the specific factors for consideration.

Another key issue is the determination of the multiple. The Guidelines have defined that the multiple shall be proportionate to the infringer’s intention of infringement and the serious scenarios thereof. In addition to general key issues to consider, the Guidelines have specified factors respectively for patent, trademark, copyright, new varieties of plants and trade secret infringement, etc. for determination of the multiple.

4. The Guidelines include a separate chapter for Internet service providers’ possible punitive damages, especially aiming at IP infringement on the Internet. According to the Guidelines, where an Internet service provider knows its user takes advantage of its network service to commit an infringement but fails to take or delays in taking necessary measures such as removing, blocking, or disconnecting a link, without justifiable reasons, which causes serious infringement of IPRs, the right holder’s claim for punitive damages against the Internet service provider shall generally be supported. The Guidelines also specify the requirements for the Internet service provider’s “undoubted knowledge”, “failure to transfer notification” and “failure to terminate timely”.

Particularly, the Guidelines further stipulate that on condition of prior undoubted knowledge of infringement and serious consequences, the live streamer and/or the purchasing agent shall be liable for punitive damages as per the right holder’s claim. The Internet service provider, with clear-cut knowledge of the said live streamer and/or the purchasing agent’s infringement through its network service, if failing to take reasonable and effective measures to stop the infringement without justifiable grounds, shall be jointly liable for punitive damages with the live streamer and/or the purchasing agent.

The Guidelines also set restrictions to curb “malicious complaints” by requiring Internet service providers to timely terminate the measures taken. Otherwise, the Internet service provider may be jointly liable for punitive damages with other infringers upon the respondent’s claim.

The Guidelines, though effective only in the Beijing municipality, are an important reference for other regions and are helpful for the SPC and the Congress to consider nationwide law or regulations in the future, to more effectively curb IP infringement.

Three Key Trademark Developments in China

By [Ms. Haiyu Li](#) and [Mr. Tingxi Huo](#)

1. CNIPA's latest actions against trademark hoarding

The China National IP Administration (CNIPA) recently requires many companies that file a large number of trademark applications to explain and/or prove the actual usage or the bona fide intention to use.

This is because the marks are suspected to be filed without intention to use according to Article 4 of the Chinese Trademark Law, which provides that malicious applications without intention to use shall be rejected.

According to the Chinese Trademark Examination Guidelines, effective as from 1 January 2022, Article 4 limits such acts as malicious applications without intention to use and trademark hoarding.

The Guidelines interpret Article 4 as not applying to scenarios where an applicant applies for marks that are identical or similar to its own registered marks for defensive purposes, or where an applicant predicts its future business and files a proper number of applications in advance.

To cope with the new situation, we suggest that bona fide applicants immediately consider these three types of action:

- A. For marks already in use, applicants should collect and submit supporting evidence such as documents proving the mark designing process, mark usage on office supplies and promotional materials, sales documents, etc.
- B. For intent-to-use marks, applicants need to prove the rationality of the applications. In other words, applicants must show a realistic business plan for using the marks and the number of applications must be appropriate and/or reasonable.
- C. Regarding defensive marks, evidence proving the necessity and rationality of the applications may help. If the applicants had suffered much from piracy, they should stress that the applications were filed to more cost-efficiently prevent the long-bothering piracy.

If some applications cannot be classified into the three types, it is advisable to voluntarily withdraw them so that the remaining applications can be accepted.

2. Supervision and administration of trademark agents

On 1 November 2022, CNIPA released the Rules on Supervising and Administering Trademark Agents, effective as from 1 December 2022. These include five chapters and 43 rules, including regulations about the recordal of trademark agents, code of conduct, supervision and punishment.

The Rules particularly provide that the trademark agencies shall be recorded every three years. Because of the low threshold of trademark agents, about 70,000 trademark firms have been established in China and many are in irregular business. The recordal procedure is quite likely to eliminate the irregular ones and reduce the total.

The Rules have listed the illegal conducts, including the acts of assisting the filing, transfer, and abuse of bad faith marks. A firm or practitioner with illegal conducts will be punished and recorded in the official credit system, and accordingly, the firm or practitioner’s qualification to practice before the CNIPA might be suspended or terminated.

Hopefully, the Rules will large clean the trademark services market and help to lift the professionalism of the Chinese trademark agents.

3. Exceptional case: Beijing courts accept letters of consent

Recently the CNIPA, the Beijing IP Court and the Beijing High People’s Court (i.e., the first instance and final instance administrative courts) have rarely accepted letters of consent to coexistence of similar or identical marks on similar or the same goods or services.

Applied-for mark	Cited mark
BOND	

However, on 30 August 2022, the Beijing High People’s Court upheld the Beijing IP Court’s ruling in the final administrative lawsuit No. (2022) JingXingZhong1318 that because the applied-for mark BOND, International registration number 1485169, and the cited mark BONDTECH & DESIGN, number 36852077, both designated for 3D printers, etc. in subclass 0753 and plastic processing machines, etc. in subclass 0726 of international class 7, are different to some extent.

Because the owner of the cited mark has provided a letter of consent to the co-existence, the two marks shall be determined as not confusingly similar and not constitute similar marks on similar or identical goods.

As many letters of consent failed to convince the CNIPA or the courts, this case is exceptional. Although this is but one case and does not represent an official change of attitudes to letters of consent, it may be cited as a new precedent in other cases.

Trademark Use on Promotional Gifts in China

By [Ms. Jiao Ren](#)

In business, many companies offer complimentary gifts to promote sales. As the gifts sometimes carry trademarks, companies should be aware whether such use of the trademarks constitutes trademark use in the sense of trademark law which may possibly constitute infringement or be considered valid use to resist non-use cancellation. In this article, I hope to clarify these two issues or the current leading opinions in China.

1. Trademark infringement officially confirmed

a) Legal basis

According to Article 57 of the Trademark Law, the use of a trademark identical or similar to others' registered trademark on identical or similar goods shall be regarded as trademark infringement. This has been reaffirmed and further specified by the China National Intellectual Property Administration (CNIPA) in Rule 26 of The Trademark Infringement Determining Criteria of June 15, 2020, the Beijing High People's Court in its Answers to Some Questions about Hearing Trademark Civil Dispute Cases of March 7, 2006, and the former State Administration for Industry and Commerce in its Reply Opinions on the Issues Related to Gifts Suspected Of Infringing the Exclusive Right to Use a Registered Trademark of December 17, 2013.

All these relevant laws and regulations have explicitly stipulated that the aforesaid gifts shall be regarded as trademark infringement.

b) Official application of the law and regulations in practice

In practice, defendants often stress that the gifts are offered for free and therefore no profit has been gained from them. However, such defence is usually not supported by the Court or the Administrations for Market Regulation (AMRs, the trademark enforcing departments).

For example, in the civil lawsuit No. (2020) LuMinZhong 741 between the appellant Dongming Yellow River Pearl Jinqiao Gas Station and the appellee Hebei Nalixin Washing Chemical Co, the Court ultimately ruled that the appellant's provision of washing powders as gifts bearing the said mark had infringed on the appellee's mark and particularly pointed out that the act of **providing gifts is an integral part of sales promotion**. In another effective ruling No. (2021) Jing 73 MinZhong 3989, the Court refuted the manufacturer's and seller's similar defence and pointed out that **gaining profit is not the constitutive element for infringement**. Even though the suspected infringing goods are circulated as gifts, it may cause confusion and misunderstanding to the relevant public and damage the mark owner's right.

In administrative complaints, the AMRs hold the same opinions.

2. Valid or not as evidence to resist non-use cancellation

According to Article 49.2 of the Trademark Law, a registered trademark may be cancelled if it is in non-use status for three consecutive years after registration. The CNIPA and the courts have different views on the validity of complimentary gifts in non-use cancellation cases.

a) CNIPA's attitudes

In the CNIPA's Trademark Examination and Review Standard of 2016, it explicitly stipulated that the use of a mark on gifts shall not be regarded as trademark use in the sense of the Trademark Law. However, in the Trademark Examination Guidelines, effective as from January 1, 2022, the CNIPA deleted the above-mentioned scenario.

The change means that trademark use on gifts would be examined case by case. Like use evidence on other regular goods or services, **if the gifts are openly used in business or can distinguish the sources of goods or services, the use should be regarded as valid** in the sense of the law and could keep the registration valid against cancellation.

Before January 1, 2022, the CNIPA normally considered the use on gifts neither effective nor commercial use (e.g., Appeal Decision No. [2020] 0000242852 on the mark 'Mini Sol' No. 10667289 in class 24). In one word, such use could not resist non-use cancellation. Where there are other types of evidence, the CNIPA avoided solely commenting on the use on gifts.

Since the new Trademark Examination Guidelines came into force on January 1, 2022, the CNIPA has not yet made many decisions on non-use cancellation. After reviewing the appeal decisions available, I have noted that the CNIPA has basically not changed its attitude, but there was a minor change in the Appeal Decision No. [2022] 0000011830. The reason that the CNIPA refused the evidence is that the applicant failed to submit evidence to prove that the gifts have entered circulation. That means, if there is additional evidence to prove that the gifts enter circulation, the CNIPA might accept the evidence.

b) Courts' attitudes

Unlike the CNIPA, the courts opine that providing gifts is a commercial act and the mark use on gifts can also distinguish the sources of goods. For example, in the second-instance lawsuit concerning the cancellation appeal of the mark “万和” No. 3342442 in class 21, the CNIPA considered the use as invalid in the sense of trademark law. In the two instances of lawsuits, both the Beijing IP Court and the Beijing High People's Court overruled the CNIPA's decision and finally considered the evidence valid.

The courts indeed refused to recognise the gifts evidence as effective in some cases, but the reasons are usually that the evidence failed to indicate the five elements—trademark, goods or services, location (mainland China), date, user's information (owner or licensee), or that the gifts have not entered commercial circulation and so on.

3. Conclusion

The courts have consensus on use of marks on gifts in infringement and cancellation cases, namely valid use and infringement. Although the CNIPA currently holds different opinions on trademark use on gifts in cancellation cases, the courts' final rulings and the new guidelines might help the CNIPA become consistent with the courts. For the relevant parties, they will regretfully have to pursue the cases until lawsuits.

Chofm IP

Tricky and Malicious IP Infringers Punished

By [Ms. Haiyu Li](#)

The Chinese Courts recently made some rulings in favor of the legitimate intellectual property holders against tricky and malicious infringers. I would like to summarize two typical cases and the relevant principles to help understand the Chinese courts' latest practices in the application of the Chinese Trademark Law and Anti-Unfair Competition Law.

- **Case 1: High damage against continued trademark use after expiration of license**

On August 17, 2022, Jiangsu High People's Court made its final judgment No. 2021SuMinZhong2636 on the trademark infringement and unfair competition dispute between the three plaintiffs Raumplus Besitz-Und Entwicklungs-GMBH&CO.KG, Raumplus GMBH and Raumplus (Taicang) Furniture Technology Co., Ltd., and the three defendants Delu Furniture (Shanghai) Co., Ltd., Delu Furniture (Nantong) Co., Ltd. and Zhu Peijun (actual controller of the other two defendants).

The plaintiffs are the holder or its legitimate licensees of the registered Chinese trademarks "raumplus" and "德禄" (DELU, Chinese equivalent for raumplus), highly famous on the designated goods "furniture, etc." The parties concerned had cooperated, but according to their agreement, the defendants shall stop using the marks and change the trade name after the termination of cooperation.

Nevertheless, after cooperation, the defendants applied for the marks and domain name relevant to DELU, opened furniture chain stores, made promotion and undertook bulk engineering projects with the DELU brand. Furthermore, the defendants turned deaf ears to the plaintiffs' C&D letters and committed even more serious infringement. The defendants also tried to delay the lawsuit examination by maliciously challenging the plaintiffs' valid trademark registrations. During the course, the plaintiffs filed preliminary evidence to prove the profit earned by the defendants from the infringement, whereas the defendants failed to follow the courts' order to submit the true and complete accounting materials. Accordingly, the courts sustained the plaintiff's damage calculation.

On the basis of the foregoing verified facts, the courts confirmed the defendants' trademark infringement and unfair competition, granted a punitive damage, and awarded the plaintiff an all-inclusive damage of CNY50 million (about USD7 million).

- **Case 2: Unfairly utilizing Häagen-Dazs' famous mooncake designs in gift exchanging cards and promotional webpages**

On August 30, 2022, Shanghai IP Court concluded the lawsuit No. 2021Hu73MinZhong688 between the plaintiff General Mills Trading (Shanghai) Co., Ltd. and the defendants Beijing Kunyuan Jiuzhou Agricultural Science And Technology Development Co., Ltd. and Beijing Diancheng Zhihe Trade Development Co., Ltd. The final Court partially upheld the first-instance ruling No. 2020Hu0115MinChu11826 made by Shanghai Pudong New Area People's Court by reaffirming that

the defendants' acts constitute unfair competition but clarifying that the disputed designs shall not be deemed as unregistered trademarks used to distinguish the source of goods.

The defendants are engaged in gift exchange business, and they used the identical or very similar Häagen-Dazs mooncake designs to decorate their gift cards and online promotional webpages. Although Häagen-Dazs mooncake box is one of the gifts available in the defendants' gift cards, their service staff intend to skillfully lead the consumers to exchange other gifts. When any customer insists on exchanging the mooncakes, the defendants will order the same from the plaintiff and served them to the customer, which means the Häagen-Dazs mooncakes sold by the defendants are authentic. Nevertheless, the main profit of the defendants comes from the exchange of other gifts.

The two courts ruled that the defendants' malicious use of the disputed designs reduced the plaintiff's opportunities of business and has constituted unfair competition, granted a damage of CNY80,000 (around USD11,500), and ordered the defendants to stop the unfair competition and make declaration in the webpages they operate to eliminate the influence.

CNIPA Views on Class 35 Services

By [Ms. Haiyu Li](#)

On December 7, 2022, the China National Intellectual Property Administration (CNIPA) released the *Guidelines on Application for Registration and Use of Service Marks in Class 35* (Guidelines), with the purpose of helping business correctly understand the connotation and extension of the Class 35 services and make reasonable trademark filing strategy.

The Guidelines stressed that the class 35 services are designed to provide assistance **to others** for their business operation, administration, advertisement, etc., rather than performing the acts to meet the business needs of the trademark registrants themselves. To explain the point further, the CNIPA selected 11 important service items and illustrate their coverage area and applicable subjects in detail. For several items of which the connotations are usually misunderstood by the public, the CNIPA specially elaborated the relevant exclusions.

In particular, the CNIPA has interpreted three of the typical service items below for reference:

1. The item “**sales promotion for others**” refers to acts of providing specific advising, planning, counselling, etc. services to help others increase the sale or demand for their goods or services in the market. The service item does not include such pure products sale behaviors as selling the trademark registrant’s own goods or services or earning profit by retailing others’ goods.
2. The subject of the item “**provision of an online marketplace for buyers and sellers of goods and services**” mainly includes those e-commerce platforms that provide online trading platforms for buyers and sellers, but not those sellers who operate online shops. I would consider Amazon, Alibaba, Ebay, etc. as such typical service providers.
3. The item “**commercial administration of the licensing of the goods and services of others**” refers to the business management services provided for the franchising behavior of others, excluding the franchising behavior itself carried out by the franchiser. The business management services of this kind can be such supporting services as business counselling, investigating, and managing acts related to franchise.

At present, the CNIPA still refuses retail and wholesale services for trademark registration, except for the retail and wholesale of pharmaceutical, veterinary and sanitary preparations and medical supplies. Nevertheless, class 35 is still a very crowded racing track, as many companies file defensive applications to prevent potential piracy or misleading use, despite the risk of non-use cancellation.