

China Standardizes Administrative Criteria for Trademark Infringement

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On June 15, 2020, the China National Intellectual Property Administration (CNIPA) published the Criteria to Determine Trademark Infringement, composed of 38 Rules, aiming to provide guidance to the trademark enforcing organs, primarily the Administrations for Market Regulation (AMR) (formerly the Administrations for Industry and Commerce or AIC) at different levels all over the country, to standardize trademark enforcement criteria and more effectively protect the legitimate trademark holders' lawful rights and interests.

In the past, the AMRs enforced trademarks according to the Chinese Trademark Law, which provides more general principles, not specific enough, and trademark infringement criteria were inconsistent. Now, the CNIPA summarized the ambiguous understandings relating to such issues as identical or similar trademarks, same or similar goods or services, strict exemption of seller's punishment, trademark use in the sense of the Trademark Law, including virtual use online. The Criteria represent the Chinese government's determination to strengthen trademark enforcement, curb the rampant infringement, and further improve the business environment in China.

The Criteria is applicable for the trademark enforcing organs to handle, investigate or punish trademark infringement, and shall be binding on more than 2000 AMRs at or above the county level. Therefore, we have reason to expect that the standardized enforcement can be extended to each and every corner of mainland China and the usefulness of the Criteria cannot be underestimated.

We hope to introduce through this article the highlights of the Criteria to assist the trademark right holders and professionals alike in understanding and accordingly better benefiting from the Chinese market.

- **Use of trademarks in the sense of Trademark Law**

Article 48 of the Trademark Law defines the trademark use and categorizes the use into two types—1) actual use in business, namely, the use of trademarks on goods, the packaging or containers of goods, venues of services, and the transaction documents of goods; and 2) the preparation for actual business use, namely, the use of trademarks for advertising, exhibition and other commercial activities for the purpose of identifying the sources of goods or services. Rules 3-7 of the Criteria have further specified the use through more specific provisions.

Rule 3 provides that the use of trademarks in the sense of the Trademark Law shall usually be the premise of trademark infringement. Rule 4 provides the more specific use of trademarks on goods in actual business—1) directly attaching, printing or engraving, branding or knitting trademarks onto goods, the packaging or containers of goods, and tags, or using trademarks on the additional labels, product specification, explanatory manuals, or pricelists; or 2) the transaction documents for trademark use relating to the sale of goods include sale agreement, invoices, bills, receipts, import and export inspection and quarantine certificates, and customs declarations etc. Rule 5 provides the more specific use of trademarks on services in actual business—1) using trademarks directly in the venues of services, including introductory manuals, staff clothing, signboards, menus, pricelists, name cards, coupons, stationery, writing papers as well as other relevant materials used for providing services; or 2) using trademarks in service-related documents such as invoices, bills, receipts, remittance bills, service agreements, maintenance certificates etc. Rule 6 provides more specific use preparation in such commercial activities as advertising and exhibition. Rule 7 provides the elements for comprehensively determining trademark use, namely, the user's subjective intent, way of using, way of publicizing, industrial common practices, and consumers' knowledge, at the enforcing organs' discretion.

Rule 8 provides that unauthorized use includes use without license or use beyond the licensed classes of goods or services, period, or quantity. In the case where the local factories produce more than the licensed quantity and sell the extra goods to make additional profit, they can be punished for trademark infringement. This can force the licensee to better honor the license agreements.

- **Same or similar goods or services**

The concepts of similar or same goods or services are further clarified in Rules 9-12. Comparison shall be made between the registered goods or services of the trademarks and the suspected infringers' goods or services. Such elements as name of goods, function, use, main raw materials, producers, consumers, sales channels shall be considered to determine whether the goods are the same,

whereas name of services, purposes, contents, methods, suppliers, consumers, and venues shall be considered for services. In addition, where the elements are not exactly the same, but basically the same, the goods or services may be considered the same. The scope of same goods or services has been slightly broadened. Similar goods or services can be determined basically on the basis of the same elements.

Rule 12 reiterates the importance of the CNIPA's working manual the Classification of Similar Goods and Services, the similarity codes. Although a trademark can be registered under different versions or editions of the Classification, the current or latest version shall be checked to determine the same or similar goods or services. For the non-standard items of goods or services not listed in the Classification, the relevant public common sense shall be the basis for the comprehensive consideration. As China has localized the international classification by designing the unique and complicated sub-class system, which is updated regularly, it is advisable to count on the local trademark attorneys to compare the similar or identical goods or services.

- **Identical or similar trademarks**

The issues of identical and similar trademarks are specified in Rules 13-18. In particular, Rule 13 provides a broadened concept of identical trademarks to include identical trademarks, **basically not different, difficult for the relevant public to distinguish**, which can make it less difficult to seek the infringers' criminal liability and the deterrent effect will be demonstrated.

Rule 14 provides the specific types of **identical trademarks**, including word marks, device marks, word-device-combination marks, three-dimensional marks, color-combination marks, sound marks, and other types of marks basically not different from the registered trademarks visually or auditorily.

Similarity of trademarks are specified in Rule 15. The elements to be considered for similar marks include word shape, pronunciation and meaning in the case of word trademarks, in terms of structure, colors, and appearance in the case of device trademarks, in terms of overall combination and appearance in the case of word-device-combination trademarks, in terms of shape and appearance in the case of three-dimensional trademarks, in terms of color or combination in the case of color-combination trademarks, or in terms of auditory perception and overall musical image in the case of sound trademarks. Although the elements are mentioned, different officers may hold different views and we are not confident that this issue of similar trademarks can be easily addressed.

Rule 16 provides that the Trademark Examination and Adjudication Criteria shall be the reference to determine similar trademarks. These latest Criteria, made by the formerly China Trademark Office (CTMO) and Trademark Review and Adjudication Board (TRAB) in 2016 for trademark prosecution matters, provide in much greater detail criteria to determine a big variety of trademark related issues, but need to be updated or revised in the near future to absorb some recent case conclusions.

- **Likelihood of confusion**

Under Rule 19, to establish trademark infringement in cases where similar trademarks are used on the same goods or services or where identical or similar trademarks are used on similar goods or services, likelihood of confusion should also be proved. That is, where the marks and goods or services are not both identical, likely confusion should be an issue. Rule 20 explains how to judge likely confusion—1) sufficient to convince the relevant public that the goods or services concerned are produced or provided by the right holders of the registered trademarks; or 2) sufficient to convince the relevant public that the goods or services suppliers and the right holders of the registered trademarks are related in terms of investment, license, franchise or cooperation. Rule 21 provides the relevant elements relating to likely confusion—1) the similarity of the trademarks, 2) the similarity of the goods and services, 3) the distinctiveness and notoriety of the registered trademarks, 4) the characteristics of the goods and services and the way of using the trademarks, 5) the relevant public's attention and consciousness, and other relevant elements.

- **Tricky infringement**

Rule 22 discloses a trick of some of the bad-faith filers. That is, the filers applied for a trademark, but after the trademark was approved of registration, the filers unilaterally change the trademark to imitate others' name brands. Alternatively, the filers applied for a famous brand in part, and after registration, combine the parts into one trademark, similar to or even identical with the name brand. In the future, such tricks will be explicitly considered trademark infringement. The parts, even though approved of registration, can no longer shelter the filers from punishment.

Rule 23 discloses another trick played by some of the bad-faith parties. Such parties use their own corporate names, but intentionally let the trade names in the corporate names stand out, which imitates or copies some name brands and confuses the consumers. Such misleading use shall also be banned. Of course, it is also possible to seek the administrative and civil liability under the Anti-Unfair

Competition Law.

Rule 24.1 for the first time officially confirmed that a trademark, registered in black and white, can be freely used in color. However, where the colors are used to imitate or copy others' registered trademarks, likely to cause confusion, such use can still be regarded as trademark infringement.

Rule 24.2 clarifies the industrial association in trademark infringement. Where a suspected infringer, in the same or closely-associated industry with the holder of the registered famous trademark, uses or registers an identical or similar trademark without justifiable reason, willful trademark infringement shall be established.

Rule 25 provides that the contractors can be put at risk if they buy and use materials with infringing trademarks in their products. They should also pay due diligence.

Rule 26 addresses the issue of free gifts bearing others' registered trademarks, presented by businesses to buyers. Although the businesses do not directly profit from the free gifts, the gifts can help sell the main goods. Such free gifts can also be trademark-infringing goods.

- **Strict exemption**

Under Article 60.2 of the Trademark Law, where a party unknowingly sells trademark infringing goods and can prove the legitimate means and provide the suppliers' information, the party shall stop selling the goods but not be punished or fined in other way. The possible ambiguity relating to "unknowingly selling trademark infringing goods" and "providing the suppliers' information" has been cleared through Rules 27 and 28, which can make it more difficult or risky for the suspected infringers to lie or cheat.

Rule 27 provides the specific scenarios and facts that can exclude the unawareness or even prove willful infringement in a way—1) the supply channels not suitable for the common practice in business and the price obviously lower than the market price, 2) refusing to submit such accounting evidence as accounting books and sale log or fabricating false accounting evidence, 3) transferring or destroying physical evidence or providing false evidence or information, 4) repeating similar law-violating acts after punishment, and/or other similar scenarios.

Rule 28 provides what information or clues need to be provided by the suspected infringer, namely the suppliers' names, business venues, or contact information. Where the suppliers cannot be found because of the false or unverifiable

information provided by the suspected infringer, the situation cannot be regarded as “providing information on the suppliers” and the suspected infringer cannot be exempt from punishment.

Rule 30 provides the landlords’ and electronic business platforms’ responsibility to stop the trademark infringement or cooperate to do so in their exhibition halls, shopping malls or platforms. Otherwise, they may be held liable for trademark infringement because of facilitating the infringement under Article 57.6 of the Trademark Law.

Rule 31 enables the crackdown of squatters who use domain names identical or similar to others’ registered trademarks to mislead or confuse the relevant public in the trading of relevant goods or services.

- **Conflict with design and copyright**

Rule 32 reiterates the protection of earlier legitimate rights, including but not limited to design and copyright. Where the exclusive right to others’ registered trademark is contested with design or copyright and where the application date of the registered trademark precedes the application date of the design or the copyrighted work’s date of completion supported by evidence, the trademark enforcing organ may investigate and punish the trademark infringement.

- **Repeated infringement within five years**

According to Article 60.2 of the Trademark Law, twice or more trademark infringement within five years shall be punished more heavily. Rule 34 provides that the five-year period shall begin from the date when the enforcing organ or the people’s court’s decision of punishment or ruling takes effect.

- **Right holders’ verifying opinions**

Rule 36 clarifies the importance of the right holders’ verifying opinions. The enforcing organs can use their discretion to require right holders to verify the suspected infringing goods and bear the legal liability. The holders’ verifying opinions shall be accepted by the enforcing organs unless the suspected infringer can submit contrary evidence to overturn the opinions. Therefore, the holders should make the best of their advantages and support the organs.

To sum up, although the Criteria are made and published by the CNIPA and binding on the AMRs at different levels, but not binding on the Customs, the Public Security

Bureaus (PSB, i.e., the police), or the Courts. However, as the CNIPA has absorbed the other organs' opinions in the relevant precedents and judicial interpretation, the Criteria contain the wisdom of almost all the Chinese trademark enforcing organs and courts, which can be helpful for the different organs and courts to determine trademark infringement in a more consistent and harmonized manner in both administrative and judicial cases and makes the results more predictable.

The CNIPA will then be faced with the heavy tasks of interpreting and lecturing about the Criteria, training and providing guidance to the trademark enforcing teams throughout the country, selecting and studying typical cases for improved revision in the future.

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