

The improvement of the Chinese legal framework is one of the keys for success on the exponential growth experienced during the past few decades on today's world largest economy. The following dialogue between Isabel Cortés, Head of International Legal Affairs at PONS IP, and Feng GAO, Patent Attorney at Dan Sams & Associates, explores some of the most debated issues raised by our clients.

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## "THE PROTECTION OF WELL-KNOWN TRADEMARKS, REGULATION OF MALICIOUS REGISTRATION, AND PUNISHMENT OF INFRINGEMENT NOW HAVE MORE ADEQUATE LEGAL BASIS IN CHINA"

Innovation, knowledge, and Intellectual Property have been endorsed as key success factors of the in-depth legislation reformations implemented during the years 1992, 2000 and 2008. New recurring updates are introduced considering the fast-paced technological environment we live on nowadays. In our June 2021 newsletter, our colleague Jialin Chen already introduced some of the amendments implemented in the last three years.

**PONS IP - WHICH ARE THE NEW MEASURES IN PLACE FOR TRADEMARK PROTECTION AGAINST BAD FAITH PRACTICES?**

**Feng GAO** - The first type of measures regards the strengthen of the protection of well-known trademarks through the improvement of the trademark legal system. On April 23, 2019, the Standing Committee of the National People's Congress deliberated and approved the decision on amending the "Trademark Law of the People's Republic of China." The revised terms have been implemented since November 1, 2019, which strengthens the applicant/registrant's obligation to use, clarifies penalties for maliciously applying for trademark registrations, and increases the penalties for violations of trademark exclusive rights.

The protection of well-known trademarks, regulation of malicious registration, and punishment of infringement now have more adequate legal basis.

To further meet the current needs for the protection of well-known trademarks, and to promote the institutionalization and standardization of well-known trademarks identification and protection; the Trademark Office is advancing the revision of the "Regulations on the Identification and Protection of Well-known Trademarks". It has been included in the second category of the legislative work plan of the State Administration for Market Regulation in 2021. Meanwhile, the preparations for further revision of the "Trademark Law" continue to advance. Research and demonstration of key issues, such as strengthening the protection of well-known trademarks, will put forward legal revision suggestions to the legislature in a timely manner to continuously improve the trademark legal system.

**"TO BE SUCCESSFUL DURING THIS IP JOURNEY, WE SHOULD KEEP IN MIND THAT CHINA HAS A "FIRST TO FILE" SYSTEM"**

**ISABEL CORTÉS  
HEAD OF INTERNATIONAL  
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#### PONS IP - WHY COLLECTING EVIDENCE IS KEY FOR IP INFRINGEMENT CASES IN CHINA?

**Isabel Cortés** - One of the most frequently asked questions by our clients with business interests in China is what actions to take upon discovering an IP right infringement in the country. Often, they have the perception that they are living their own odyssey while navigating between the mythical sea monsters Scylla and Charybdis. To avoid the voices of Sirens and be successful during this IP journey, we should keep in mind that China has a "first to file" system, which implies that if your IP rights are not registered it would be daunting to enforce it. Therefore, it is crucial, when seeking to reach the market, to make early decisions and to carefully protect all IP assets. By doing this, many delays and concerns will be avoided.

Simultaneously, it is of utmost importance that before starting any legal procedure, evidence should be carefully collected, preserved, and notarised. On the contrary, as soon as the infringer becomes aware of the claim, he may destroy any further traces of evidence. To be successful in this adventure, strategy is key and gathering evidence is essential to the case. It should not only include the certificates-titles to prove that you are the pacific owner but also keep track of the infringement acts, that is, sales, marketing material, official website, product purchase, suspected infringement samples and others. It should also consider all types of evidence which proves that the infringer should give the appropriate amount of compensation. Nowadays, the court may determine the damages between RMB 10,000 and RMB 1 million.

In summary, the collection of evidence may differ from case to case, but one must be very active and accurate in this step of the process to have a valid and a complete evidence chain. All these evidence collection strategies should be done in combination with litigation strategies and there are different approaches: In Europe, we are very familiar with the Cease-and-Desist Letter; by this action the infringer would be aware about our rights we get evidence to prove the infringement. We must not forget about the possibility of administrative and judicial enforcement. The administrative authorities have the power to conduct raids, seize and destroy infringing goods, but only the judicial authorities can include civil proceedings, criminal sanction, and compensations.

On the one side, the disposal of trademark registrations with significant adverse effects in a rapid and orderly manner. Since 2018, in order to further strengthen the protection of intellectual property rights and combat malicious registration of trademarks, CNIPA has severely cracked down on malicious registration of trademarks during the trademark examining and opposition stages. The monitoring of malicious registration activities has been strengthened by adopting measures such as early examination and centralized examination of cases, to severely crack down on malicious registration of trademarks. In total, more than 150,000 malicious squatting and hoarding of trademarks have been rejected. In addition, formulating and implementing special discovery reports, handling rules; and strengthening the control of trademarks with significant adverse effects, are also actions against malicious registration.

On the other side, the incentive on rectification of malicious trademark registrations. One of the actions is enact and implement plans, for instance "Implementation of the Regulations on Regulating Trademark Application and Registration Acts", "Special Action Plan for Combating Malicious Registration of Trademarks", etc. Moreover, the strengthening of the crack down on malicious registration activities guides the whole society seeing that it establishes a correct concept of trademark registration. At the same time, the credit supervision in the field of trademarks is strengthen, and the administrative penalties information has been included into the National Public Credit Information Catalogue.

Finally, the "Trademark Law" revised in 2019 increases the infringement compensation amount for malicious infringement of exclusive rights. The compensation fluctuates from one time, up to five times the value. The limit of the statutory compensation also elevates from three million yuan to five million yuan. The application of this provision in judicial practice has effectively increased the cost of trademark infringement, better protected the exclusive rights of registered trademarks, and played a good role in guiding and deterring the society. From March 3, 2021, the "Interpretation of the Supreme People's Court on the Application of Punitive Damages in the Trial of Civil Cases of Infringement of Intellectual Property Rights" is implemented, which clearly stipulates the criteria for determining the "malicious" and "cases of gross violation". For example, if the infringer continues to carry out the infringement after being notified and warned, it can be initially determined to have intent to infringe, and the situation of repeated infringement or infringement as a business can be identified as serious.

The remedies sought in civil proceedings include injunctions, damages, destruction of infringing goods, recall order and declaration of infringement, and validity. There are currently four IP courts in Beijing, Guangzhou, Shanghai, and Hainan. Moreover, to strengthen the protection of patent rights and increase the cost of infringement, China has incorporated, for the first time, a system of punitive damages.

To conclude, there is no need to be tied to the mast of their vessel or to wears wax plugs as Ulysses and his crew, but it is crucial for smooth and safe sailing into infringement cases to consult an IP law firm with a presence in China, that helps with private investigation agencies to check evidence, to seek for the assistance of customs, administrative enforcement authorities and Chinese courts.

#### PONS IP - WHAT IS NEW INTO CHINA'S DESIGN PATENT SYSTEM?

**FG** - Well, Partial Design Protection is allowed after June 1, 2021, in China. According to "the Suggestions for Amending the Implementation Rules of the Patent Law (Draft for Comments)" published by CNIPA on November 27, 2020, Article 27 stipulates that: "The applicant shall submit pictures or photographs in accordance with the provisions concerning the contents that need to be protected for each design. For a partial design application, a view of the product as a whole shall be submitted, and dotted lines shall be combined with solid lines or by any other means to indicate the contents that need to be protected. If applicant requests colour protection, he shall submit colour drawings or photographs." Paragraph 3 of Article 28: "For a partial design application, the part for which the protection is requested shall be indicated in the brief explanation, if necessary." CNIPA will also adopt a combination of dotted lines and solid lines for the view of local design to standardize the requirements, and if necessary, the part for which the protection is requested shall be indicated in the brief explanation. Different from the designs of European Union, the applicant shall submit the view of the whole product for a partial design in China, that is, the part which does not need protection cannot be omitted or only the solid line part of the product be submitted.

"**DIFFERENT FROM THE DESIGNS OF EUROPEAN UNION, THE APPLICANT SHALL SUBMIT THE VIEW OF THE WHOLE PRODUCT FOR A PARTIAL DESIGN IN CHINA, THAT IS, THE PART WHICH DOES NOT NEED PROTECTION CANNOT BE OMITTED OR ONLY THE SOLID LINE PART OF THE PRODUCT BE SUBMITTED.**"

**SUMMIT FENG GAO, DAN, SAMS & ASSOCIATES**

#### PONS IP - WHAT ARE THE REASONS FOR MARKET SUCCESS OF FOREIGN BRANDS TRANSLATED INTO CHINESE LANGUAGE?

**IC** - The importance of choosing a vibrant brand name is widely known. Trademarks identify our products or services, and they convey our values and our mission to our clients. The usual advice is that it should be distinctive, pleasant-sounding, hold a positive connotation and be easy to pronounce and write. All these characteristics are extended to markets with different languages and cultures, creating a more challenging scenario. It compels us to be more careful in the naming process and raise awareness among brand owners about the importance of protecting Chinese language versions of their trademarks far beyond the roman characters.

Although the Chinese market has a remarkable knowledge of foreign brands, the protection in Chinese characters for Chinese speakers becomes key to success of the product. The registration of your usual trademarks will not automatically give you protection over the Chinese equivalent. When a foreign brand owner enters the Chinese market, local consumers and retailers will tend to devise their own Chinese versions of the brand that has no official Chinese name.

Moreover, local Chinese e-platforms are reluctant to take down advertisement using the brand owner's Chinese language marks unless the brand owner can provide the registration certificates of such trademarks in China. In addition, it would also persuade third parties to take advantage of our trademark good name with a similar translation in Chinese language. This simple precaution will solve later complex litigation cases in which it is not always easy to prove over time whether the similarity goes beyond the mere coincidence. For example, in the Michael Jordan case where early registration on the transliteration of "Jordan" in Chinese and a more proactive attitude from the start concerning the trademarks surveillance would have made things simpler.

Finally, there are different ways to tackle the Chinese name approach: from a literal translation to a completely new word, including transliteration and combinations of the above. My suggestion would be teamwork between the local IP professional and your national attorney to ensure the expertise and tricks for an accurate trademark protection.

Should you have any questions related to protecting your IPR in China, please do not hesitate to contact us for assistance: [isabel.cortes@ponsip.com](mailto:isabel.cortes@ponsip.com)