

Preface

On a hot summer night in August 2015, while I was watching *World News Tonight* in my tiny apartment in New York, the phone rang. It was my buddy Christopher calling from Beijing, China. Christopher, one of the top trial attorneys in China, and someone with whom I had worked for many years, had a challenge for me. The best legal minds in China – including judges from the intellectual property (IP) tribunals of the Intermediate Court, High Court, Supreme People’s Court, deputy secretary-general of China Trademark Association, seasoned examiners from China’s Trademark Appeal Board, and people serving as expert consultants to trademark litigation cases – had written a book. The book, which is partly a response to Western criticism about IP issues in China, identifies twenty-six landmark trademark cases in modern Chinese history. Rather than providing a two-sentence decision about each case, the authors delve into the relevant law in detail, review the relevant law, discuss how the specific facts were addressed by the Trademark Office/Appeal Board/Courts, and provide the rationale supporting each decision. In addition, the authors offer guiding “best practices” for each case. The book is, thus, a practice guide showing brand owners how to survive and prosper in China, a country long perceived as the Wild West in today’s trademark world.

Since its publication, classes, seminars, and training sessions have been offered in big cities such as Shanghai and Beijing to study and discuss the book. Participants span the gamut from in-house counsel, to attorneys at private law firms, academics, researchers, examiners, and officials at different levels within trademark offices across China. The summarized cases involve well-known brands such as CHANEL, BMW, and LOUIS VUITTON, as well as the personal name rights of Kate Moss. While the book has stirred up a tremendous amount of conversation in China, the authors are also eager to share these discussions with people in the Western world. The people in China want to be understood; they want the world to understand why their courts rule A rather than B, decide to protect C instead of D.

There was just one problem – the book was written in Mandarin and thus inaccessible to most of the world.

Translating this work to ensure its accessibility was the challenge Christopher put to me during that call. After a six-month search, the publisher had been unable to find

a suitable translator because the process requires a command of Chinese legalese as well as sufficient experience with Western versus Eastern legal concepts to be able to translate the underlying ideas in a persuasive and thoughtful way; so that the insights shared by a Chinese judge sipping tea in his office in Beijing can be understood or even appreciated by millions of American executives drinking their coffee across the Pacific Ocean wondering how to how to make money and also protect their companies' brands in China.

I was given a test case – it took me twenty hours to complete the first draft. I am grateful that the publisher was satisfied with my work and decided to engage me. In the last twelve months, I have spent most weekends in the library chewing, digesting, and translating these concepts so as to peel away the mystery surrounding trademark practice in China.

From this book, you will get answers to “hot” trademark issues in China. For example:

- (1) Can one invalidate a registered trademark because it was obtained in bad faith?
- (2) What are the criteria for recognizing a mark as a “well-known” trademark in China?
- (3) Can one invalidate a trademark registration relying on a **well-known unregistered** trademark in China?
- (4) Can one invalidate a trademark registration relying on a **well-known registered** trademark in China where the two marks cover different goods or services?
- (5) Can a registered trademark be cancelled if it has become a **generic term**?
- (6) Can one successfully oppose a trademark application based on **copyright**?
- (7) Can one successfully invalidate a registered trademark if it is similar to a **trade name**?
- (8) Can one successfully invalidate a registered trademark if it is similar to a **personal name**?
- (9) Can one use a **design patent registration** as defense against a senior trademark registration?
- (10) How are damage amounts calculated in trademark infringement lawsuits?

Each case is divided into three parts: (1) the facts; (2) the judgment; and (3) analysis and insight. Prior to diving into these cases, the chief editor provides a brief history of China’s trademark system going back to the first recorded trademark more than 100 years ago, as well as the three amendments to the Trademark Law and the impact made by each.

The experience has been both humbling and educational. It has further clarified in my mind why a pair of glasses that fit me perfectly may not be a good fit for others. China needs a different pair of glasses tailored to its prescription.

For fifteen consecutive years, China has been the world’s No. 1 country for receiving and processing the most trademark filings. The number of trademark filings in China in 2015 alone was one-third the trademark filings made around the globe. To

put that in perspective, the number of trademarks filed in China in 2015 alone was three times more than the *combined* trademark filings made in the United States (second place) and the European Union (third place) over that same year. It is about time we understand how the trademark system works in China. What better way to gain insight into that system than to learn directly from the people who are making those decisions in China?

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CHAPTER 1

Outline of China Trademark Progress

I. Development of China's Trademark System.

A. Trademark System in the Late Qing Dynasty (From the End of the 19th Century to 1911).

China's use of trademarks can be traced back to the time around the Tang and Song dynasties. The earliest and most thorough use of a trademark (when the use is sufficient to represent a full grasp of the trademark concept) is the "White Rabbit" trademark. The White Rabbit trademark was used by the LIU family who had a needle shop in Jinan, Shandong Province. The White Rabbit trademark was used by the LIU family around the Song Dynasty (North Song). The White Rabbit Trademark was presented to the consumer along with stylized Chinese characters and colorful designs. In fact, the LIU family also came up with an advertisement tagline to go with the White Rabbit trademark. Underneath the White Rabbit mark, the LIU family inserted the following phrase: "Please recognize the white rabbit logo in the front of the shop; the white rabbit is a logo of our shop." The LIU family also came up with an advertisement tagline to accompany the White Rabbit mark: "The needles made by the LIU family were made of superior steel and with premium quality. The LIU family purchased superior steel specifically for this purpose only. The needles are convenient for household use. There is an additional discount if anyone would like to order the needles for wholesale, rather than personal use." Despite the above, China's formal trademark system incorporating modern concepts did not start until almost the end of the Qing Dynasty. The earliest record of China's modern trademark system was recorded in the unfair treaties between the Qing government and the Western countries after the Opium War. Specifically, the modern trademark concept was reflected in the Sino-British Mackay Treaty, which was signed on September 5, 1902 (the "Treaty") between the Qing Dynasty and the United Kingdom ("UK"). Section 7 of the Treaty stated that "the British government has the duty to protect the brands which are used

by the Chinese merchants. It is important to protect the Chinese brands so as to prevent the British people from infringing or copying the Chinese merchants' brands. Similarly, the Qing government should also protect the brands of the British merchants so as to prevent infringement or copying of such brands by the Chinese people." In addition to the protection clause specified above, the Treaty stipulates that the Trademark Commissioners for the Southern and Northern ports of China should establish brand registration bureau in their respective jurisdictions; the bureau was to be charged with the responsibility to register commercial brands. Similar clauses can be found in the 1903 Sino-US Treaty and the 1904 Sino-Japan Treaty of Commerce and Navigation. In 1904, the Qing Dynasty government promulgated the "Trademark Registration Pilot Regulation" and the "Guidelines of the Trademark Registration Pilot Regulation" (collectively, the "*Regulations*"). The Regulations required registrations for any brands that the Chinese or foreign merchants would like to use and claim exclusive rights. The Regulations include detailed provisions with respect to trademark application process – such as whether or not priority should be claimed and the absolute grounds to refuse a trademark, trademark examination criteria, and specific situations that would constitute trademark infringement. Further, the Regulations include specific chapters to deal with trademark infringements where criminal prosecutions are possible. The Trademark Registration Pilot Regulation is therefore the first trademark statute in China's history; it marks the beginning of China's trademark legal system in modern times.

B. Trademark System During the Period of the Republic of China (1911–1949).

After the 1911 Revolution, China went through three separate governments: the National Government led by Sun Yat-Sen (1912–1914), the Northern Warlord Government (1914–1927), and the Nanjing National Government led by Chiang Kai-shek (1927–1949). The Northern Warlord Government published "Trademark Law" on May 4, 1923. On May 8, 1923, the Northern Warlord Government published the "Detailed Guidelines to Implement the Trademark Law." The Trademark Office, then under the Agriculture and Commerce Ministry, published the first Trademark Gazette on September 25, 1923. In 1927, the Nanjing National Government established the National Trademark Registration Bureau to handle trademark registration and related matters. On December 21, 1928, the Nanjing National Government separated the division that was in charge of trademark registration from the National Registration Bureau; an independent trademark office was established to handle trademark registration matters and this office belonged to the Industry and Commerce Ministry. On May 6, 1930, the Nanjing National Government published its version of the Trademark Law; it subsequently published the "Detailed Guidelines to Implement the Trademark Law" on December 30, 1930. The Trademark Law and the Guideline went into effect on January 1, 1931. In this version of the Trademark Law (published by the Nanjing National Government), it establishes the principle of voluntary trademark filing, the principle concerning good-faith senior use of a trademark and the fair use defense. The Trademark Law also establishes more thorough legal proceedings to handle trademark

oppositions, trademark cancellations, and invalidations. After the civil war in 1949, this version of the Trademark Law was implemented in Taiwan; it was later amended in 2012.

C. Trademark System after the Founding of New China (1949-Present).

1. The Trademark System Before China's Reform and Opening-Up.

In 1949, the People's Republic of China ("PRC") was established ("*New China*"). New China abolished all rules and regulations that were established by the Nanjing National Government. New China therefore marked a new chapter in China's history because its legal systems were established based on the principles of socialism. The State Council of New China published "Trademark Registration Interim Regulations" on August 28, 1950, to protect the exclusive rights associated with a trademark for the industrial and commerce industry ("*Interim Regulation*"). This Interim Regulation is therefore the first trademark regulation established by New China that is specifically related to trademarks. The Interim Regulation includes thirty-four articles, and formally establishes the principle of voluntary trademark filing, and offers protection to the exclusive rights of one's trademarks. The Interim Regulation also stipulates the primary elements for a mark to be considered a trademark, texts and designs that are *not* allowed to be registered as a trademark, and establishes a system for trademark application, examination, registration, and trademark opposition. In the same year, the Financial, Political and Economic Committee under the State Council published the Detailed Guidelines to Implement the Interim Trademark Regulations. On January 17, 1957, the State Council issued an opinion titled "the Opinion of the Central Administration of Industry and Commerce Concerning the Comprehensive Trademark Registration System" (the "*Opinion*"). The Opinion confirmed the trademark registration principle – i.e., all marks used on the products that are manufactured or produced by any enterprise and credit union must be registered; any trademark that has not been approved for registration should not be used. On April 10, 1963, the State Council published the "Trademark Management Regulations" (the "*1963 Management Regulations*") and simultaneously abolished the Interim Regulation. The Trademark Management Regulations highlighted the importance of a proper trademark management system; it was written with the goal to enhance corporate promise and the quality guarantee of the underlying products. The Trademark Management Regulations reaffirmed the compulsory trademark registration system; the regulations in fact only comprised of fourteen articles after extensive deletion and revision of the original articles. On April 25, 1963, the Central Administration of Industry and Commerce published the "Detailed Guidelines to Implement the Trademark Management Regulations" (the "*Guidelines*"). The Guidelines set up the review process before a trademark is approved for registration; in other words, any trademark application documents should first be examined and approved by the respective company's management department. Furthermore, the trademark application paperwork must be accompanied by detailed specifications relating to the quantity and quality of the

underlying products, and such specifications must be filled out in accordance with the industry standards. Furthermore, the specification chart must be reviewed and certified by the company's management department. With respect to the system governing the assignment of a trademark (which covers the registration, change, transfer, revocation, cancellation, and reissuance of a trademark registration certificate), the paperwork should be filed to the local administration of industry and commerce at the city or county level where the company is located. Once the paperwork has been examined and approved by the local authorities, it can then be transferred to the Central Administration of Industry and Commerce's further review and approval.

2. The Development of Trademark System after China's Reform and Opening-Up.

a. The Legislation of the Current Trademark Law.

Before the enactment of the current Trademark Law, China had been using the Trademark Management Regulations that were published in 1963. During China's cultural revolution (an extremely tumultuous time for roughly ten years in China's history), the political and social movement also took a great toll on the trademark system. During this time, there was no central governing system to manage the trademark registrations and to govern trademark use in China. In September 1978, the State Administration of Industry and Commerce was established; each trademark office was then tasked with the responsibility to conduct an audit and review of its respective trademarks in its jurisdiction. All trademarks in China then underwent the registration process at the end of 1978. In November 1979, China finally reestablished its national trademark registration system. Despite the fact that the country finally resumed and unified its registration system, the Management Regulations promulgated in 1963 were no longer adept at meeting the social and economic demands. The 1963 Management Regulations were especially inadequate in the following areas:

- (1) The 1963 Regulations did not contain any provisions to protect the trademark owners' exclusive rights.
- (2) The compulsory registration system was not able to meet the economic demands at that time.
- (3) The 1963 Regulations did not have a thorough system to review and approve a trademark application.
- (4) The 1963 Regulations did not have specific legal guidance in respect to foreign trademarks that were seeking registration in China.

In light of the above, and for the purposes of developing the socialist commodity economy and bettering the socialist legal system, the State Administration of Industry and Commerce conducted extensive research and drafted the "Trademark Law of the People's Republic of China" ("*Draft*"). The Draft was written by considering and giving deference to both the domestic and international legal customs. On August 23, 1982, the Trademark Law was adopted at the 24th Session of the Standing Committee

of the Fifth National People's Congress ("NPC") and the Law went into effect on March 1, 1983. The 1983 version of the Trademark Law was the first intellectual property ("IP") law after the birth of New China. It even predates the China's Patent Law (1984), Copyright Law (1990), and the Anti-unfair Competition Law (1993).

The 1982 Trademark Law establishes and reaffirms some basic principles of the China's trademark system; most of these principles are still in use and followed today. Some primary examples include:

- (a) China's trademark system seeks to strike a balance between protecting the exclusive rights of a trademark owner and consumers' interests.

Article 1 of the 1982 Trademark Law explicitly stipulates that "*this Law is enacted for the purposes to improve the administration of trademarks, to protect the exclusive rights associated with a trademark, to encourage manufacturers (or producers) to ensure the quality and quantity of their products so as to protect their business reputation, to protect consumer interests, and thereby, to promote the economic development of a socialist market economy.*" The trademark system is designed based on the trademark rights and the protection thereof; the system also seeks to protect consumer interests. The above principle is not only reflected in the fact that the Law requires the product manufacturers or service providers to ensure the quality and quantity of the underlying products and services, but is also reflected in the trademark examination system where an examiner must conduct a trademark clearance prior to approving a trademark. The system is in place so as to ensure a junior mark shall not be approved for registration if it is identical or closely similar to a senior mark; the step is to prevent a coexistence of similar marks in the marketplace. In other words, China's trademark system has mechanisms in place to prevent or minimize the possibility of consumer confusion.

- (b) The first-to-file system and trademark registration principle.
The trademark registration principle refers to the acquisition of the trademark rights which must be based on the fact that the mark at issue has been approved for registration. Under the trademark registration principle, China's Trademark Law applies and strictly enforces the first-to-file principle. This principle determines the ownership of a trademark and awards the ownership to the party that first files for the trademark at issue.
- (c) The principle of voluntary registration.

The modern Trademark Law applies the principle of voluntary registration, instead of the compulsory registration principle promulgated in the 1963 Management Regulations. Following the voluntary principle, it is up to each trademark user to determine whether or not it should also file for a registration for the mark it is using. Despite the above, the Law also outlines some exceptions to the voluntary registration principle. For example, Article 5 of the Trademark Law states that "for goods that can only be used in connection with a registered trademark as required by the government, the

owner must register the respective trademark. Such products are not allowed for sale in the marketplace unless a trademark registration has been granted.”

- (d) The principle of a unified trademark registration system and the principle that the management of trademarks is handled by different departments within a state government.

The principle of a unified trademark registration system refers to the fact that the registration process concerning all trademarks in China must be handled by one office only: the Trademark Office of the State Administration for Industry and Commerce (“SAIC”) under the State Council. Any individual or company that is seeking to obtain the exclusive rights associated with a trademark must file relevant paperwork with the Trademark Office. The management of trademarks (including both pending and registered marks), however, is primarily delegated to different departments under each local administration of industry and commerce. In other words, each local government is responsible for the management and imposing administrative penalties concerning trademark violations such as infringing acts that occur within its jurisdiction.

b. Key Points in the Three Amendments to the Trademark Law.

There have been three amendments to the Trademark Law since its inception in 1982; each amendment took place in 1993, 2001, and 2013 respectively. The Law had undergone major changes during these amendments, not only in terms of quantity (from 43 articles to 73 articles in the third Amendment), but also in terms of substantive updates to the content of the Law.

First Amendment:

The main reason driving the First Amendment was because China had reaffirmed the socialist market economy system (with the continued “opening-up” and reform of the New China) and the society needed an updated law so as to keep abreast with the international legal system. The need became particularly acute when China joined the Paris Convention for the Protection of Industrial Property in 1985 and the Madrid Agreement Concerning the International Registration of Marks in 1989. Changes were called for so as to continue the progress of China’s socialist market economy and to improve the ever-changing trademark legal system. After more than three years of extensive research and analysis (as well as countless drafting and revisions), the State Administration of Industry and Commerce completed an Amendment to the Trademark Law in 1993. The draft was approved during the executive meeting of the State Council and then delivered to the Standing Committee of the NPC for approval. On February 22, 1993, the 30th Session of the Standing Committee of the Seventh National

People’s Congress approved the “Decision to Amend the Trademark Law of the People’s Republic of China” (“*1993 Amendment*”). Major revisions to the Law in the 1993 Amendments are as follows:

- (1) Service marks were formally recognized and protected as trademarks.

With the rapid development of the Chinese economy, especially with the rise of the third industry, the society had seen a tremendous growth of service marks; accordingly, more companies were demanding protection of such marks in China. The government also took notice that the Paris Convention for the Protection of Industrial Property required its Member States to recognize and protect service marks. In light of the above, the 1993 Trademark Law explicitly states that “any provision discussed in this Law shall also apply to service marks.”

- (2) Geographical references should not be approved as a trademark.

This provision was added in the 1993 Amendment because the Law then took into consideration that geographic reference lacked distinctiveness and should not be approved as a trademark. Such marks were likely to cause consumer confusion because they were not able to enable consumers to clearly identify the source of the underlying products or services. For example, there were situations where different companies in the same region were engaged in manufacturing the same types of products. However, if one of the companies was allowed to use the geographic reference that was shared among all the similarly situated companies as its trademark, it would put the other companies at a disadvantage and cause a monopoly.

- (3) Unregistered trademarks were offered limited protection; additional provisions were added to address bad-faith registrations.

The trademark office was aware of the fact that some companies obtained trademark registrations through fraud or other improper means; the office was also aware of the fact that there were trademark squatters in the marketplace which secured trademark registrations of marks that were first put to use by a third party, and the marks had obtained a certain level of fame through such use. Despite the general awareness and understanding of the market reality, there were no specific provisions in the 1982 Trademark Law that could be utilized to discourage such bad-faith registrations. The 1993 Trademark Law addressed this issue by adding a specific provision – “the trademark office can cancel a trademark registration if the registration is obtained by fraud or other improper means; a third party (either a company or an individual) can also file a cancellation action with the Trademark Review and Adjudication Board (“TRAB”) to have the registration cancelled.”

- (4) Broadening trademark infringement categories.

The 1993 Trademark Law further categorized and detailed acts that would constitute a trademark infringement as follows:

- (i) using the same or similar trademark as a third party's registered trademark without prior authorization and the use involves the same or similar products;
- (ii) selling products with the knowledge that such products were counterfeits of a registered trademark;
- (iii) manufacturing or selling a registered trademark without authorization;
- (iv) causing other damages to a third party's exclusive rights of its registered trademark.

Second Amendment:

The primary reason driving the Second Amendment to the Trademark Law was due to China's formal participation in the WTO (World Trade Organization); despite the WTO membership, China's legal system had a great discrepancy with the system articulated in the "Agreement on Trade-Related Aspects of Intellectual Property Rights" (TRIPs). Furthermore, the Trademark Law at that time was no longer adept to address and keep up with the rapidly growing market economy. The government was aware of the changes in the society and the urgent need to improve China's trademark legal system so as to better protect the exclusive rights associated with a trademark. In order to assist China and the society to get used to becoming a WTO member country and to meet the requirements articulated in TRIPs, a consensus was formed to push for the Second Amendment to the Trademark Law. In 2001, the SAIC considered feedback and input from experts, practitioners, and academia, summarized market experience to date, and took into account the TRIPs provision and drafted an amendment to the Trademark Law. The draft was approved during the State Council's executive meeting and was later submitted to the Standing Committee of the NPC for review. On October 27, 2001, the 24th session of the 9th NPC Standing Committee approved the "Decision to Amend China's Trademark Law." This amendment was driven primarily by the government's promise to update its trademark law as a condition for China to join the WTO; it had promised to update China's Trademark Law so that it was kept up to date with the framework set forth in TRIPs. The amendment was therefore "reactive" in nature. Key revisions in the Second Amendments are summarized as follows:

- (1) Broadening the scope of trademark components.
The 1993 Trademark Law limited the elements of a trademark to words, devices, and the combination of word and devices only. The Second Amendment formally recognized a three-dimensional mark and a color combination mark as trademarks.
- (2) Incorporating specific provisions to protect a well-known trademark.
The 1993 Trademark Law did not include specific provisions to protect a well-known trademark. The Detailed Guideline to Implement the Trademark Law only included some limited protections to trademarks that were "familiar to the public." Up until then, the protection of a well-known trademark was

mainly relied on the Provisional Measures on the Recognition and Administrative Control of Well-known Trademarks issued by SAIC in 1996. In this amendment, it specifically offered special protection to well-known trademarks. For example, an unregistered yet well-known trademark is afforded protection so that a third party could not use such a mark on the same or similar goods; similarly, a well-known registered trademark is protected not only with similar goods but also on different or dissimilar goods. In other words, a third party is not allowed to use a registered well-known mark on products that are dissimilar or different from the designed goods without authorization.

- (3) Incorporating specific provisions concerning collective marks, certification marks, and geographical indications.

This Amendment specifically provided that registered trademarks not only included the traditional trademarks, but also included product trademarks, service marks, collective marks, and certification marks. The Amendment also offered definitions to help consumers understand the concept related to a collective mark and a certification mark. The Amendment also incorporated definitions and specific protection provisions to geographical indications, and thereby provided legal basis to protect such marks in China.

- (4) Incorporating provisions relating to priority.
This Amendment incorporated two priority concepts: "priority based on the initial trademark application" and "exhibition priority." The time limit to claim priority is six month.
- (5) Incorporating provisions for judicial review.
The 1993 Trademark Law adopted the administrative adjudication principle. In other words, the administrative office's review of trademark refusals, cancellations, and invalidation actions should be final. This Amendment introduced the judicial review concept. In other words, anyone that is dissatisfied with the decision made by the TRAB is able to institute an administrative litigation with the court (by listing the TRAB as a defendant). The appeal will then be reviewed by the people's court.
- (6) Incorporating provisions for statutory damages.

It is clearly stipulated in the Trademark Law that "the amount of damages for a trademark infringement case should either be the actual losses suffered by the right holder as a result of the infringement or the profits the infringer has generated as a result of the infringement; the amount of damages should also include reasonable expenses that the trademark owner has incurred to stop the infringement." Meanwhile, the amended Trademark Law offers clear provisions concerning the statutory damages. Such statutory damages are defined as follows: "when it is difficult to determine the actual losses suffered by the trademark owner, or the profits obtained by the infringer, the court shall award damages up to RMB 500,000 (about USD 73,000) depending on the specifics of the case."

Third Amendment:

With the development of the socialist market economy in China, trademarks are playing a more and more important role in the today's society. However, the provisions stated in the 2001 Trademark Law were no longer able to meet the needs of the society. Due to the urgent need to update the Trademark Law so as to keep pace with the progression of the society, a further amendment of the Trademark Law was demanded by the society. The key issues relating to the 2001 Trademark Law were primarily reflected in the following areas:

- (1) The procedures to register a trademark was overly complicated.
- (2) The timeline for the Trademark Office or the Appeal Board to approve and determine a trademark registration was overly long.
- (3) Bad-faith registrations and unfair competitions had evolved to be serious concerns to China's trademark system.
- (4) The Trademark Law was inadequate to effectively address infringing applications and registrations.
- (5) The Trademark Law did not offer adequate protection to the exclusive rights associated with a trademark.

After considering the above-listed inadequacies in the 2001 Trademark Law as well as practical experience and feedback from the practitioners and the academia, the SAIC drafted the Trademark Law of People's Republic of China ("Examination Draft").

The Examination Draft was submitted to the State Council for approval on November 18, 2009; it was approved by the 223rd executive meeting of the State Council on October 31, 2012. After the approval, the Examination Draft was approved by The 4th session of the 12th Standing Committee of NPC on August 30, 2013. There were two primary distinctive features of the Examination Draft:

- (1) The Amendment was proactive in nature rather than reactive. The Amendment was prompted by China's desire to conform with the international treaties in which China had been a party and further tailored to China's specific social and economic realities.
- (2) This Amendment focused on some specific key issues that had been threatening the integrity of China's trademark system. These key issues included: the overly complicated procedural requirements to obtain a trademark registration; standardizing trademark application and use requirements; maintaining a fair and competitive market; enhancing the protection to the exclusive rights associated with a trademark; ensuring and efficiently protecting the legitimate interests of the trademark holders.

The key issues in this Amendment included the following:

- (1) Sound mark is recognized. The Trademark Law now formally recognizes sound/voice as a sufficient component for a trademark.
- (2) Specific provisions have been incorporated to discourage trademark squatting. The Amendment seeks to discourage trademark squatting in China by incorporating the following provision: "*the registration and use of a trademark should follow the principle of good faith.*" This provision is now the fundamental principle in China's Trademark Law. In addition, the Amendment incorporated some provisions to discourage trademark squatting by listing some specific relationship between the parties. For example, Article 15 Section 2 states that "where an applicant is seeking to register a mark that is identical or similar to an unregistered trademark which has been put to use in connection with the same or similar products, such a trademark shall not be approved for registration if the following criteria are met: (1) an opposition is raised by the party which first put the unregistered mark to use; (2) there is sufficient evidence to prove that the two parties are in a contractual, business or other relationship and the trademark applicant either knows or should have known about the prior unregistered mark through such relationship; (3) agency or representative relationship is an exception to (2)."
- (3) Specific types of infringement have been incorporated into the Trademark Law. The amended Trademark Law clearly states that the following action also constitutes trademark infringement: an action that is "internationally designed to either assist a third party to infringe the exclusive rights associated with a registered trademark or help a third party to execute the infringement."
- (4) Punitive damages are incorporated. The 2013 Trademark Law states that "the ultimate damage amount in an infringement lawsuit can be increased to more than one time (but no more than three times) of the statutory damage."
- (5) The maximum statutory damage is raised. The statutory damage ceiling is raised from RMB 500,000 (about USD 73,000) to RMB 3,000,000 (about USD 437,400).
- (6) Burden of proof on the trademark owner is reduced. The Amendment now states that "for the purpose of determining the amount of damages, where the account books and information related to the infringement are controlled by the infringer, and where the trademark owner has presented as much evidence as practically possible, the court may order the infringer to submit such account books and information. If the infringer refuses to submit such account books and information, or submit false documents relating to such information, the court may determine the amount of damages based on the claims and evidence submitted by the trademark owner."
- (7) Unfair competition recognized in the tradename situation. In situations where a company is using a third party's trademark as its trade name without authorization (i.e., either using a registered trademark or an

unregistered but well-known mark), the court is allowed to recognize unfair competition if such use is capable to cause consumer confusion. Anti-unfair Competition Law of PRC is now applicable to such a situation.

- (8) A trademark that has become a generic term can be cancelled.

The Amendment now incorporates a provision which states that a registered trademark can be cancelled so long as the trademark has become a generic term.

Any organization or individual can petition to have a registered trademark cancelled if such a mark has become a generic term through the trademark registrant's improper use or that the registrant fails to properly police and enforce its rights in connection with its products once the mark is registered. The cancellation stands even though the mark may have sufficient distinctiveness when it was first filed. This provision is aimed to prevent monopoly from the trademark owner whose mark has already become a generic term; allowing anybody to claim exclusive rights over a generic term will certainly disrupt the market order.

- (9) Trademark owner's nonuse of the mark at issue is now recognized as a valid defense against trademark infringement.

Prior use has been formally established in the Amendment as one of the conditions for the trademark owner to recover damages. Specifically, Article 64 of the 2013 Trademark Law states that "when the trademark right holder is seeking infringement damages and the alleged infringer points out that the trademark holder has not put the mark to use, the court can then require the trademark holder to provide actual use evidence relating to the mark at issue. The use evidence can be anywhere in the last three years from the time the alleged infringer raises this argument. If the trademark holder is not able to provide actual use in connection with the mark in the last three years, or that it is not able to prove actual losses as a result of the alleged infringement, the alleged infringer shall not be liable for any damages."

- (10) Protection to prior use recognized.

The Amendment includes a provision to protect prior use. Specifically, when an applicant is seeking to register a mark that is identical or closely similar to a third party's unregistered trademark, and both marks cover the same or similar products, the registrant's rights are limited. In other words, the registrant does not have the right to prevent the third party from continuing using its senior unregistered mark in connection with the original products so long as the unregistered mark has obtained a certain level of fame prior to the application date of the registered trademark. This provision is seeking to strike a balance between a senior user and trademark registrant's rights; it grants a senior user the right to continue using the mark so long as the use conforms with the original scope of use. A strict prohibition on any use once a third party has obtained trademark registration would not be fair to the senior user of the mark.

c. Administrative Rules.

On March 10, 1983, the State Council promulgated the Detailed Implementation Guidelines to the Trademark Law of the People's Republic of China ("Detailed Guideline") to facilitate the implementation of the Trademark Law. The Detailed Guideline had been amended four times in 1988, 1993, 2002, and 2014 respectively; it also later changed its name to Regulations to Implement the Trademark Law. In addition to the above, in order to resolve various practical issues to implement the Trademark Law, the SAIC had issued and subsequently revised a series of administrative rules throughout the years. These administrative rules included the following:

- (1) Provisions on the Determination and Protection of Well-Known Trademarks (2014). These provisions aimed to provide consistency to the recognition of well-known trademarks in China and the scope of protection.
- (2) Administrative Measures Concerning the Registration of Collective Marks and Certification Marks (2003). These provisions provided clear guidance on how to apply for collective marks and certification mark; they also discussed management details.
- (3) Measures for the Implementation of Madrid International Registration of Marks (2003). These provisions discussed details relating to applications of international registrations where China was designated as the country of origin and applications for territorial extension to China.
- (4) Rules relating to the Review and Examination of Trademarks (2014). They provided consistencies to the trademark review and examination process.
- (5) Rules relating to the Administration of Trademark Agency (2010). These rules focused on maintaining a good order among the trademark agency industry and ensuring legitimate interests of clients and trademark agencies.

d. Judicial Interpretations Issued by the Supreme People's Court of China.

Following the amendments to the 2001 Trademark Law, the Supreme Court issued a series of judicial interpretations related to the trademarks in China; these interpretations were based on judicial practice on cases relating to the review, examination, and determination of trademark rights and infringements. The key points in the judicial interpretations are outlined below:

- (1) Interpretation of the Supreme People's Court Concerning the Application of Laws in Trial Cases Relating to Civil Trademark Disputes (2002). This judicial interpretation is meant to ensure that trademark disputes will be correctly reviewed and examined by the lower courts in China.
- (2) Interpretation of the Supreme People's Court on the Application of Laws for Preliminary Injunctions and Evidence Preservation Before the Filing of a

Lawsuit (2002). This interpretation aims to provide guidance relating to injunction and evidence preservation for trademark dispute cases.

- (3) Provision of the Supreme People's Court Relating to the Civil Trademark Disputes to Resolve Conflicts between Registered Trademarks, Company Trade Names, and Prior Rights (2008). This provision is to provide guidance on civil trademark cases concerning the conflicting rights among the registered trademarks, enterprise names, and prior rights.
- (4) Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law to the Civil Disputes Trial Cases Over the Protection of Well-Known Trademarks (2009). This interpretation is to protect well-known trademarks in trademark infringement cases.
- (5) Interpretation of the Supreme People's Court concerning the Jurisdiction Issues over Trademark Cases and the Applicants of the Law After the Amendments to the Trademark Law (2014). This interpretation aims to resolve jurisdiction issue and the application of law issues on trademark dispute cases.

Apart from the judicial interpretations discussed above, the Supreme Court had published a series of judicial policies that were aimed to provide guidance on the review and examination of trademarks. The primary ones are outlined below:

- (1) Opinion of the Supreme People's Court on Several Issues concerning Intellectual Property Trials and How Such Trials Could Serve the Overall Social Objectives Under the Current Economic Situation (2009). This Opinion aims to provide guidance to the lower courts so as to review intellectual property cases in a way that would allow the society to effectively respond to the international financial crisis. The goal is to promote a stable and rapid economic development.
- (2) Opinion of the Supreme People's Court on Several Issues Concerning the Trial of Administrative Cases Involving the Authorization and Determination of Trademark Rights (2010). This Opinion considers trial experience and aims to bring consistencies to the review and examination of administrative cases in China involving the determination of trademark rights.

With decades of hard work and tireless efforts, China has already established a modern trademark legal system that conforms with the international rules, but in the meantime also preserves the unique and specific features that are appropriate to China's culture and society. We have also witnessed the change in overall society in that the public are now paying more attention to the protection to trademarks and brands. There were only 84,047 validly registered trademarks in China at the end of 1982 - this includes 70,899 domestic registered trademarks. When the Trademark Law became effective on March 1, 1983, there had only been 19,000 trademark applications. The trademark application number quickly rose to 1,881,500 in 2013. The total number of trademark as 14,257,000 at the end of June 2014; the number of accumulative trademark registrations was 9,075,000, and the number of validly registered

trademarks was 7,611,000. Given that China has been the number one country in the world in terms of the number of trademark filings for many years, China is therefore *the* top country for trademarks in the world.

II. Characteristics/Key Features of China's Trademark System.

A. Comprehensive Review Principle.

China conducts substantive examination of any trademark application filed with the China Trademark Office. Following the rules in the Trademark Law and the Regulations to Implement the Trademark Law, the Trademark Office will first examine each application to see if it has complied with the formality requirements. The Trademark Office will then review each application based on its application date to conduct further search, analysis, comparison, and investigations if necessary. The Trademark Office will then issue a decision on the preliminary examination results either to approve or reject the trademark application.

The substantive examination contains two parts: (1) examination on the absolute grounds, and (2) examination on the relative grounds. The examination on the absolute grounds includes the following: (a) whether or not the application would disrupt the public order and negatively impact the public's interests once it is registered; (b) whether or not the application has sufficient distinctiveness; (c) whether or not the three-dimensional mark is functional. The examination on the relative grounds is to determine whether or not the application at issue is similar to prior registrations or pending applications. Since the review process in China is comprised of substantive examinations on the absolute grounds as well as on the relative grounds, China therefore follows the comprehensive review principle.

During the review process of the Third Amendment to the Trademark Law, the SAIC once decided to cancel the examination based on the relative grounds. In the 2007 draft titled "Draft: Seeking Opinion and Input to the Trademark Amendments," the council expressed the following views to support the cancellation of such review:

- (1) Trademark right is a civil right which is in essence a form of a private right. The protection of a private right should be separately asserted by the relevant parties through valid legal proceedings, such as oppositions, cancellations, invalidations, and trademark infringement lawsuits. The dispute involving whether or not a junior application is similar to a senior trademark and therefore the registration should be denied is essentially a dispute involving two parties' private rights. The review process involving the relative ground means that the administrative authorities are inevitably involved, and in fact, taking a proactive role, in resolving the dispute concerning private rights. This process essentially transforms the administrative authorities to babysit the senior right holder and allow the

government to intervene and protect private rights. In other words, the process compels the authorities to get involved and interfere with the private rights.

- (2) The relative ground review inevitably prolongs the overall review time of a trademark application. This process also imposes and adds a tremendous workload on the examiners. Over the years, the Trademark Office in China has experienced an extreme shortage on the number of qualified examiners due to the rapid increase in trademark applications in this country. The relative ground review process is rather time consuming, which results in the extreme backlog and the overly long period of time for a mark to mature to registration.

Despite the above, which advocated for the cancellation of relative ground review process, there was of course a different view supporting the continuation of this process. Supporters pointed out that through the relative ground review process, the administrative authorities not only protected the private rights but also ensured the overall public's rights to prevent consumer confusion. This process was therefore helpful and significant in maintaining a fair market. If the examination on the relative ground is cancelled, it is likely to cause disruption in the marketplace and unfair competition. The authorities decided to maintain the review on relative grounds, which thereby preserved the comprehensive review nature of China's system.

In accordance with the Trademark Law, a trademark application will be reviewed on its compliance with the absolute grounds and the relative grounds. The examination on the absolute grounds involves the following aspects:

- (1) whether the trademark application violates some restrictions discussed in Article 10 of the Trademark Law;
- (2) whether the trademark application is sufficiently distinctive as discussed in Article 11 of the Trademark Law;
- (3) whether a three-dimensional mark consists symbols that are functional as discussed in Article 12 of the Trademark Law.

Examination on the relative grounds refers to the examination whether or not an application conflicts with senior trademarks that are either registered or have already been approved for registration (Article 30 of the Trademark Law). In addition, according to Article 31 of the Trademark Law and Article 19 of the Regulations to Implement the Trademark Law, where two or more applicants apply for the identical or similar trademarks, and such trademarks cover the same or similar goods, the application that is filed first should be approved for publication. If, however, the two marks are filed on the same day, each applicant shall submit evidence of prior use. Specifically, both applicants will have thirty days to provide use evidence upon receipt of a notification from the Trademark Office; the party that uses the mark first will have its mark approved for publication. The other party's application will be refused. If, however, neither applicant has ever used the mark, or if that use started on the same day, the Trademark Office will request that the parties negotiate among themselves.

The parties may negotiate and provide a written report to the Trademark Office within thirty days of receipt of the notification. For parties that refuse to negotiate or fail to reach a common ground through negotiation, the Trademark Office will simply determine the prior rights by drawing lots. If one party fails to participate in the lot drawing after being notified by the Trademark Office, it should be deemed to have voluntarily abandoned its application. The Trademark Office shall notify the party regarding its abandonment in writing.

B. Legal Framework Is in Place to Prevent Bad-Faith Filings.

China's Trademark Law adopts the first-to-file principle and the registration principle. In fact, under China's system, the applicant is not required to provide use evidence or declare its intent to use the mark upon filing. The fact that the system does not require use evidence therefore creates a backdoor for bad-faith filings. Trademark squatting is a classic form of unfair competition seeking to obtain the exclusive rights associated with a trademark; such trademarks are likely to have a serious impact on the market order. After three amendments, China's Trademark Law has established a legal framework to address bad-faith filings.

First, in the general rules of the Trademark Law, it states that the application or use of a trademark should follow the principle of good faith. This means all applications in China must observe the good-faith principle; any application filed in bad faith shall be refused.

Second, the amended Trademark Law affords protection to well-known trademarks. Protection also extends to unregistered yet well-known trademarks; however, such protection is limited to the same or similar products. Article 13 Section 2 of the Trademark Law forbids the use and registration of a trademark application which copies, reproduces, or translates a third party's registered well-known trademark in China. Article 13 Section 3 states that "*junior mark should be refused for registration or be prevented from being used if it covers different or unrelated products so long as the junior mark is a copy, imitation or translation of third party's mark that is already a registered well-known trademark in China, and the use/registration of the junior mark would lead to consumer confusion, and could potentially damage the legitimate rights of the owner of the well-known mark.*"

The protection scope in respect to dissimilar or different products of a well-known trademark that has been registered in China should correspond to its level of fame. For a well-known trademark which is widely known to the general public and has been registered in China, the court shall give it a broader protection when deciding whether or not the protection should extend to dissimilar or different products.¹ In other words, the scope of protection should match its fame level rather than being restricted to the similarity analysis of the products involved. The above Law should be

1. Article 11 of Opinions of the Supreme People's Court on Several Issues Concerning the Trial of Administrative Cases Involving the Authorization and Determination of Trademark Rights.

CHAPTER 3

Maintenance of Trademark Registrations

8. Trademark Assignment and Good-Faith Acquisition of a Trademark

Administrative litigation regarding the trademark assignment concerning the “MT.WUTONG in English and Chinese characters” mark; the litigation was brought by Shenzhen Chinese Parasol Landscape Drink Limited Company against the China Trademark Office and a third party Shenzhen East River Source Industry Development Limited Company

- First Instance: Beijing No. 1 Intermediate People’s Court (No. 1842; 2010) - Decided on September 19, 2010
- Second Instance: Beijing High People’s Court (No. 7; 2011) - Decided on February 14, 2011

BACKGROUND

On October 6, 1998, Shenzhen East River Source Industry Development Limited Company (“*East River*”) filed a trademark application, “MT.WUTONG in English and Chinese characters,” in connection with Class 32 mineral water products with the China Trademark Office (the “*Trademark Office*”); the application was assigned application number 1359214 (the “*1359214 Trademark*” or the “*Mark*”). The Trademark Office preliminarily approved the 1359214 Trademark and published it on the trademark gazette on October 28, 1999. On January 18, 2000, Shenzhen Kang Li Mineral Spring Balneation Center filed an opposition action with the Trademark Office contesting the 1359214 Trademark. On August 2, 2001, the Trademark Office made a decision, referred to herein as the “*1447 Decision*”, where the 1359214 Trademark was refused for registration. East River failed to request a timely appeal concerning the 1447

Decision to the TRAB under SAIC of the PRC (the "Appeal Board"). The 1447 Decision was later published on the Trademark Publication Gazette on November 28, 2002, (No. 857; page 1149) and became effective.

On November 7, 2008, Shenzhen Chinese Parasol Landscape Drink Limited Company (the "Company") filed a trademark assignment application to the Trademark Office, seeking to assign the 1359214 Trademark from East River to itself; the Company also applied for a reissuance of the trademark registration certificate concerning the 1359214 Trademark. In connection with its assignment application, the Company included a trademark assignment agreement executed by and among East River and itself dated as of November 4, 2008 (the "Agreement"). The Trademark Office confirmed receipt of the Company's assignment application on December 4, 2008; it subsequently approved the assignment on August 6, 2009 – the approval of the assignment regarding 1359214 Trademark was also published on the Trademark Assignment Gazette. The Trademark Office reissued the registration certificate concerning the 1359214 Trademark on September 25, 2009; the certificate reflected that the Company was the owner of the mark.

In January 2010, the Trademark Office received a letter from Shenzhen Kang Li Mineral Spring Balneation Center titled, "Explanation concerning the 1359214 Trademark;" the letter pointed out that the mark was refused for registration based on the earlier opposition decision. Accordingly, the Trademark Office should not grant the Company's request to reissue the registration certificate.

On January 29, 2010, the Trademark Office issued a decision titled, "Notification regarding the Revocation on Trademark Assignment and Reissuance of Registration Certificate of the 1359214 Trademark" (the "No. 33 Decision"). In the No. 33 Decision, the Trademark Office decided to vacate its earlier assignment approval concerning the 1359214 Trademark, and vacated the registration certificate issued earlier to the Company (where the Company was listed as the owner of the mark). The No. 33 Decision also vacated all of the related materials including the assignment proof, registration certificate, and the public notice published in the Trademark Publication Gazette.

The Company filed a trademark administrative litigation to the Beijing No. 1 Intermediate People's Court (the "Intermediate Court"), requesting the Court to vacate the No. 33 Decision and to order the Trademark Office to make a new decision.

COURT DECISION

The Intermediate Court reviewed the case and pointed out that any trademark that is the subject of an assignment application should be a valid trademark approved for registration by the Trademark Office; additionally, the mark must still be valid within its term. When the Company applied for an assignment of the Mark on November 7, 2008, it was not a valid registration because it had been refused for registration based on the 1447 Decision (issued on August 2, 2001); and the Decision was already published in 2002 on the Trademark Publication Gazette (No. 857). The above facts were sufficient to support that the Mark was never approved for registration by the

Trademark Office; and accordingly, the Mark never fulfilled the legal requirements to become capable of being assigned. In light of the above, the Company's request to vacate the No. 33 Decision was not supported by the Intermediate Court. The facts that the Company had invested a large amount of financial capital to expand its manufacturing capacity, to promote the brand, and to purchase a vast number of drinking water buckets after it had obtained the Mark, and it had invested over RMB 3 million, were not within the scope of this case. The Intermediate Court maintained the No. 33 Decision.

The Company filed an appeal to the Beijing High People's Court ("High Court") to challenge the Intermediate Court's decision, and to ask the High Court to confirm its use rights over the 1359214 Trademark, and reactivate its renewal request that was terminated due to the Trademark Office's decision to vacate the assignment and registration certificate issuance for the Mark. Additionally, the Company requested a written apology from the Trademark Office. The Company's primary arguments are set out below:

The Company obtained the use rights in connection with the Mark through a legal and valid channel with the Trademark Office; meanwhile, the Company had obtained the reissued registration certificate and the assignment approval concerning the Mark. Once the Company had obtained use rights of the 1359214 Trademark, it had invested heavily to expand its manufacturing facilities and to promote the brand so as to develop the market. The Company is at risk of a significant financial loss once the Trademark Office issued its decision to vacate the assignment approval.

The High Court reviewed the case and pointed out that the Mark had been refused for registration based on the 1447 Decision. The 1447 Decision has since become effective when the owner of the Mark at that time, East River, failed to file a timely appeal to the Appeal Board. In light of the above, the 1359214 Trademark was never approved for registration; and it has never been a valid registered trademark. Although the Company was not a party to the 1447 Decision, it was imputed with the knowledge of the Decision (and the fact that the Mark was never a registered trademark in China) since the Decision was published by the Trademark Office through the required legal process. The fact that the Company obtained the Mark through a valid legal channel but it later suffered a significant financial loss due to the Trademark Office's omission was therefore not supported by law and facts. The regulations in the Trademark Law concerning the renewal and assignment of a mark are preconditioned on the fact that the mark is a valid registered trademark. In the subject case, the Mark was never approved for registration so it was not a valid registered trademark; it therefore did not fulfill the necessary conditions required by the Trademark Law to be assigned or renewed. The No. 33 Decision was made in accordance with the required administrative procedure so that the Trademark Office can timely correct its mistakes in its trademark registration and management work. The Company's appeal therefore lacks proper legal and factual support; the High Court maintained the Intermediate Court's decision.

ANALYSIS & INSIGHT

In the case, the first level of the court was of the view that “the trademark that is the subject of an assignment application must be a valid registration approved by the Trademark Office.” In practice, however, the rights that can be assigned are not limited to the exclusive rights associated with a registered trademark – in fact, rights associated with a trademark application can also be assigned. This explains why the second level of the court did not accept the above viewpoint; rather, it simply responded to the appeal arguments submitted by the Company. The rights that can be assigned can be divided into two categories exclusive rights associated with a trademark; and rights associated with a pending trademark application.

1. Transfer Exclusive Rights Associated with a Registered Trademark.

According to the Trademark Law,⁸⁴ a registered trademark can be assigned. Under such circumstances, the subjects to be assigned are the exclusive rights of a registered trademark. In this situation, it is correct to point out that the subject mark to be assigned must first be a valid registration; otherwise, the trademark to be assigned does not exist and assignment application cannot be completed either. Additionally, each trademark registration is valid for ten years and the ten-year term starts from the registration date of the trademark.⁸⁵ This means the trademark that is the subject of an assignment application should still be a valid trademark registration within this ten-year term. For marks that have not yet been approved for registration, given they do not enjoy any exclusive rights, they do not yet have any exclusive rights to be assigned. For any trademark registration that has been registered for more than ten years but has not been duly renewed, it cannot be a subject of any assignment either because its exclusive rights have been extinguished. Accordingly, the first level court’s perspective is correct in respect to the assignment concerning the exclusive rights of a registered trademark. The following are some noteworthy points during the transfer process to assign exclusive rights associated with a registered trademark.

a. The Necessity of an Assignment Agreement.

An assignment agreement is the foundation upon which the parties can start the process to transfer a registered trademark. This is the agreement between the assignor and the assignee in respect to the exclusive rights associated with the trademark registration that is the subject of the transfer. Article 42 Section 1 of the 2013 Trademark Law states that “The assignor and assignee should execute a trademark assignment agreement to start the transfer of a registered trademark; the parties should

84. Article 39 of the 2001 Trademark Law; Article 42 of the 2013 Trademark Law.

85. Article 39 of the 2013 Trademark Law.

also jointly file an application to the Trademark Office concerning the transfer. The assignee should also provide certain representations and warranties in respect to its use, and the quality of use, in respect to the trademark for the registered goods or services.” Despite the above, following the spirit of Contract Law which respects the parties’ free will, the meeting of the minds is achievable in various forms such as through writing or verbal agreement;⁸⁶ in fact, the parties can sign the agreement *after* they have performed their respective duties in accordance with their agreement.⁸⁷ Accordingly, a written assignment agreement is not a required document when parties are interested in transferring the exclusive rights associated with a registered trademark. In fact, a written document evidencing the parties’ intent to carry out the assignment is only required when the examiner needs to verify parties’ signatures or the authenticity of the company stamps. The above position in respect to the requirement to submit a written assignment agreement is also reflected in Article 31 Section 1 of the 2014 Implementation Regulation of the Trademark Law of the PRC where only a “trademark assignment application form bearing the assignor’s and assignee’s signatures” is required when the parties are seeking to transfer a registered trademark. The assignment process should be “jointly carried out by the assignor and assignee.”

The above position in respect to the submission of a written assignment agreement is also supported by the courts. For example, in the administrative litigation concerning the trademark assignment of “LING MU” in Chinese characters (Registration Number 1406730), the court pointed out that “although Article 39 of the Trademark Law⁸⁸ requires the assignor and assignee to execute an assignment agreement if the parties are interested in transferring rights in connection with a registered trademark, the Law does not require the parties to submit such a written agreement when they are seeking approval from the Trademark Office. Accordingly, the fact that the Trademark Office did not require the parties to submit the assignment agreement concerning the LING MU registration does not violate the law.”⁸⁹ The above view takes the position that the requirement related to the assignment agreement only applies to the assignor and assignee; it does not apply to the Trademark Office when it approves or rejects a trademark assignment application. This is why the Trademark Office only needs to request an assignment application and then it can be jointly executed by both the assignor and assignee. The Trademark Office does not need to (nor can it) request the parties to submit an assignment agreement. In fact, the Trademark Office cannot make it a necessary requirement prior to its approval of an assignment application.⁹⁰

86. Article 10 Section 1 of the Contract Law stipulates that “The parties may use written, oral or other forms in entering into a contract.”

87. Article 37 of the Contract Law stipulates that “Where a contract is to be concluded in written form, if one party has performed its principal obligation and the other party has accepted it before signing or sealing of the contract, the contract is established.”

88. The 2001 Trademark Law was applied in this case, and Article 39 of the 2001 Trademark Law corresponds to Article 42 of the 2013 Trademark Law.

89. Case Index: Beijing No. 1 Intermediate People’s Court, Yi Zhong Xing Chu Zi [2006] No. 787.

90. Zhang Dianqing, *In-depth Examination and Approaches Adopted by Court in Judging Trademark Assignment with respect to A Registered Trademark*, People’s Judicature – Cases, Vol. 4, 2008 at 110.

b. The Restriction to Transfer a Trademark.

Given the assignment of a registered trademark would inevitably impact the source and origin of the underlying products or services, as well as the business reputation, countries and jurisdictions around the world have adopted different approaches in respect to the requirements to transfer the exclusive rights associated with a trademark. One approach is to assign everything at once – this means the trademark can only be assigned when it is assigned in connection with the operation of the original manufacturing company. In other words, it is not possible if one simply transfers the trademark but not the associated business. The second approach is to allow the owner of the mark to either assign the mark together with the operation or to assign it separately (i.e., only assign the trademark).⁹¹ When the Trademark Law was amended in 2013, although the amendments did not require that a trademark must be assigned together with its original business operation, it did require that all similar or identical marks covering the same or similar products must be assigned together so as to avoid confusion among the public in connection with the source of the products. Article 42 Section 2 of the 2013 Trademark Law states that: “when a registered trademark is to be assigned, the owner must also assign all similar marks that have been registered in connection with the same type of products, or the same or similar trademarks in connection with similar products.” In addition to the above, to better safeguard a third party and the public’s interests, the 2013 Trademark Law went one step further to specify situations where trademark assignment would be rejected – Article 42 Section 3 states that “The Trademark Office can refuse a trademark assignment that is likely to result in confusion or any negative impacts.” If the assignment is rejected, the Trademark Office must “notify the applicant and detail the refusal reasons in writing.”

c. The Timing when a Transfer Becomes Effective.

The assignment agreement is the contract between the assignor and the assignee in connection with the registered trademark; the agreement is therefore binding among the parties. Section 33 of Answers Provided by the Beijing High People’s Court Regarding the Application of Laws in Trademark Civil Disputes Trial Cases expressly states that: “The assignment agreement is effective once the parties have affixed the signatures or company stamp unless, of course, the agreement specifies other effective dates.” However, the timing in respect to the transfer of the exclusive rights of a registered trademark is different from the timing the underlying assignment agreement becomes effective. The change in relation to the exclusive rights of a registered trademark is part of the necessary result once the parties carry out their obligation under the agreement. Given the rights of a trademark are exclusive (i.e., the owner can prevent others from enjoying rights associated with the trademark), the assignee’s rights under an assignment agreement must also be “publicized” in a certain way in

91. The legislative affairs commission of the Standing Committee of the National People’s Congress, ed., INTERPRETATION OF THE PEOPLE’S REPUBLIC OF CHINA TRADEMARK LAW, 82 Law Press (2013).

addition to the transfer being approved by the Trademark Office. Article 42 Section 4 of the 2013 Trademark Law states that “once the assignment application has been approved, the assignment must also be published. The assignee will start enjoying the exclusive rights associated with such trademark since the publication date.” In other words, to complete the transfer of the exclusive rights concerning a registered trademark, the process not only needs to be solidified through an assignment agreement between the parties and be approved by the trademark authorities in China; it must also be published in accordance with the relevant law so that it becomes effective.” The exclusive rights associated with a registered trademark still belong to the assignor prior to the publication date.

2. Transfer Rights in Connection with a Pending Trademark Application.

The right associated with a pending trademark application refers to a kind of civil rights and interests that arises from the application filed by the trademark applicant and lasts until it is eventually approved for registration by the trademark authorities after examination.⁹²

a. Nature of a Pending Trademark Application.

Although neither the Trademark Law nor the Implementing Regulation of the Trademark Law has any direct regulations in respect to a pending trademark application, one can still reach the conclusion that one’s right associated with a pending trademark application is recognized and deserves protection. The conclusion can be reached both in theory and in practice.

The right associated with a pending trademark application is the so-called expectancy right in Civil Law. “Expectancy right” refers to a type of conditional right – namely, the protection of one’s right to expect certain possible rights in the future and such right has been recognized as a present existing right. Although this is quite different from the so-called future conditional right (a right that is recognized once conditions are met), they are generally interchangeable to a certain extent.⁹³ The right associated with a pending trademark application belongs to the former category – namely, it is a conditional right – this refers to the right that is being recognized at the present time because it is in existence to protect the expectancy towards certain future rights down the road. By nature, the right associated with a pending trademark application is a present existing right; it is not the type of right that occurs down the road. There is no guarantee that a trademark application will certainly mature to registration because the application is still pending on the Trademark Office’s review and approval. Despite this, the right associated with a pending trademark application has already been protected by the existing law such as Article 29 of the 2001 Trademark

92. Zhou Bo, *Rights Associated with A Pending Trademark Application Shall Be Protected as Legitimate Rights and Interests*, People’s Judicature – Cases, Vol. 16, 2012 at 100.

93. Liu Dekuan, *GENERAL RULES OF CIVIL LAW* (Revised fourth edition), China University of Political Science and Law Press, 260 (2006).

Law, Article 31 of the 2013 Trademark Law, Article 17 Section (2) of the 2002 and 2014 Implementing Regulation of the Trademark Law, and Article 8 of the 2005 and 2014 Rules for Trademark Review and Adjudication; accordingly, such right is a present existing and a legitimate right. The “possible future rights” in connection with a trademark application refers to the exclusive rights of a trademark registration. As for the “conditions”⁹⁴ (the conditionals attached to the rights of a conditional right), they refer to the fact that such an application must be first reviewed, approved and published by the relevant trademark authorities – an application does not guarantee that the applicant will eventually own a trademark registration. The conditions must be met before the applicant can own the exclusive rights associated with a registered trademark which then gives right to the application right. If the conditions are not met, the right associated with a pending trademark application is not in existence. In other words, once an applicant has obtained a trademark registration, it can refer back and obtain the protection for its rights associated with a pending trademark application; conversely, it does not enjoy any right associated with a pending trademark application.

b. Transfer Effect of a Pending Trademark Application.

A transfer of the rights associated with a pending trademark means any substantive rights associated with the trademark will then be transferred to the assignee. Such rights include the exclusive rights in connection with the trademark application once it matures to a registration.

In terms of the procedural rights in connection with a pending trademark, a successful transfer means that the assignee will then have the right to participate in all trademark review and administrative litigation procedures. In other words, the assignee can then participate in all procedures in connection with the pending trademark application in its own name. The courts have given ample guidance in this regard in a number of cases. The flip side of the assignee’s procedural rights is that the assignor will then lose all its rights (i.e., its standing) to participate in the subsequent review and administrative litigations in connection with the pending application. For example, in the administrative litigation of appeal of a trademark opposition, the two levels of courts were of the view that Shanghai City Foods Import and Export Company no longer had the right to bring a litigation to challenge the appeal board’s decision in respect to the trademark “Treasure in Chinese, JUMBO and Design” (Application Number 1165053). This is because the company already assigned its rights in connection with the application to a third party named “Shanghai Mao Ji Import Export

94. “Conditions are the additional articles to legal acts, which determine the establishment of infinite facts objectively in the future or not, to bring legal acts into effect or cause the legal effects to eliminate. Facts themselves can also be deemed as conditions.” Liu Dekuan, *id.*, 247 (2006).

Limited Company” during the appeal proceeding of the opposition decision. The court therefore rejected the Shanghai City Foods Import and Export Company’s appeal.⁹⁵

3. Obtaining Exclusive Rights of a Registered Trademark in Good Faith.

In the subject case, the Company claimed that it obtained the use rights in connection with the 1359214 Trademark through legitimate channels and its rights were approved by the Trademark Office. Although the Company’s claim was not eventually supported by the court (because the 1359214 Trademark was never approved for registration), this appeal argument did trigger yet another important question. Assuming the 1359214 Trademark had been indeed approved for registration, can the exclusive rights of a registered trademark be granted on the basis of “good faith”? In other words, does the good-faith principle in the Civil Law also apply to the trademark area?

Previously, there have been different interpretations and approaches in practice in respect to the good-faith acquisition system and whether or not the assignee could obtain the exclusive rights of a registered trademark in good faith. One school of thought believes that we should not deny the possibility that a trademark can be obtained in good faith; otherwise, people would lose confidence in the registration and publication system; the integrity of the system and safety of any transaction would be called into question.⁹⁶ The other school of thought believes that “an assignee cannot obtain the exclusive rights associated with a registered trademark if such an assignment is carried out without expressive consent of the original trademark owner. In fact, a third party, which subsequently obtains the exclusive rights of the trademark at issue from the assignee in the regular course of business, will still not be regarded as the owner of the trademark even if the transfer has been published.”⁹⁷ The above different approaches were gradually consolidated and were effective when the Property Law was announced and became effective in 2007. The idea that the good-faith acquisition system is and should be implied in every transaction has expanded beyond the mere property transaction and extended to, for example, transactions involving real estate. More and more people hold the view that good faith should also be a requirement through the transaction involving the exclusive rights associated with a registered trademark.⁹⁸

95. Case Index: Beijing No. 1 Intermediate People’s Court, Yi Zhong Xing Chu Zi [2007] No. 841; Beijing High People’s Court, Gao Xing Zhong Zi [2008] No. 18.

96. Both Shanghai No. 1 Intermediate People’s Court and Shang High People’s Court held this view in the trademark ownership dispute case (*Huangyan BeiCheng Woolen Sweater Factory v. Shang Shuting Fashion Co., Ltd.*). Case Index: Shanghai No. 1 Intermediate People’s Court, Hu Yi Zhong Min Wu Zhi Chu Zi [2005] No. 45; Shanghai High People’s Court, Hu Gao Min San (Zhi) Zhong Zi [2006] No. 75; Zhou Yongjian; Xu Chuncheng, *On the Legal Liability of Intellectual Property Infringement – Taking an Example of Illegally Transferring Other’s Registered Trademark*, Journal of Shanghai Youth College of Management, Vol. 3, 2011, at 63.

97. Section 40 of Answers of the Beijing High People’s Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes Arising from Trademarks (No. 68 [2006]).

98. Liu Xiaojun, *Study on Several Issues in Trial in Relation to Disputes over Registered Trademark Assignment*, Journal of Law Application, Vol. 8, 2006, at 50-54; Chen Yong, *Some Thoughts on The Dispute of Illegal Transfer of Registered Trademark*, People’s Judicature – Cases, Vol. 2, 2008

Whether or not good faith should be required during the assignment process concerning a registered trademark is in fact a value question where one seeks to strike a balance between the trademark owner's rights and public interests – it is a purposeful legislative choice. The question can be rephrased as follows: whether or not the law should seek to protect all dynamics involving the order and safety in a property transaction; or if the law can simply passively protect the ownership safety concerning the property at issue.⁹⁹ The importance to actively protect the dynamics in a property transaction has been recognized by the legislature (and reflected in the updated Property Law), we believe that the good-faith principle should also be required in every transaction involving IPR – this is especially so given the property rights involving IP are becoming increasingly important in today's society, and the line between tangible and intangible property is becoming less and less pronounced especially along with the securitization of tangible and intangible property rights. Despite the above, it is also important to note that strict requirements must be met so as to apply the good-faith principle. For example, the assignee must obtain the underlying property in good faith and pay sufficient compensation to obtain the rights.¹⁰⁰ As for the requirements to satisfy the good-faith principle, one must consider the exclusive rights associated with a registered trademark and also the fact that the rights to be transferred have been published by the relevant trademark authorities in China.

Article 106 of the Property Law¹⁰¹ states that one must consider the following criteria when deciding whether or not the assignee has obtained the registered trademark in good faith:

- (a) The assignee can provide a reasonable explanation regarding the transfer.
- (b) The transfer of a trademark is based on a nonright disposition.
- (c) The third-party assignee is willing to be assigned with the trademark in good faith.

at 60–63; Liu Qijia, *Study on Trademark Good-Faith Acquisition System – From the Perspective of Transfer of Registered Trademark*, Political Science and Law, Vol. 11, 2009 at 135–141; Yuan Bo, *Legal Basis in Acquisition of Registered Trademark in Good Faith*, People's Judicature – Cases, Vol. 22, 2011 at 44–45.

99. Liu Xiaojun, *id.*, at 54.

100. Tong Rou, ed., CIVIL LAW OF PEOPLE'S REPUBLIC OF CHINA, 244–245, Law Press(1990).

101. Article 106 of the Property Law stipulates that "In case a person who is unauthorized to dispose a realty or chattel transfers the realty or chattel to an assignee, the owner is entitled to recover the realty or chattel. The assignee shall obtain the ownership of the realty or chattel if meeting all of the following conditions, unless it is otherwise prescribed by law:

- (1) To accept the realty or chattel in good faith;
- (2) To purchase the realty or chattel at a reasonable price;
- (3) In case registration is required by law, the assigned realty or chattel shall have been registered, while in case registration is not required, the delivery thereof shall have been accomplished.

In case, according to the preceding paragraph, an assignee obtains the ownership of a realty or chattel, the original owner may request the person unauthorized to dispose of the realty or chattel to compensate for his losses.

In case a related party obtains any other form of real right in good faith, the preceding two paragraphs shall apply by reference."

- (d) The third party has obtained the trademark right at a reasonable price.
- (e) The transfer act itself is valid and lawful. If the transfer is a result of duress or fraud, or that the parties involved are not capable to make a decision for itself, the assignee still has the obligation to return the underlying property given the good-faith principle is not met.
- (f) The exclusive rights associated with the assigned trademark have been approved and published by the relevant trademark authorities.¹⁰²

In addition to the above, the transfer of a registered trademark must also be approved by the trademark authorities. It is possible that the transfer can be invalidated by the court throughout the process due to certain acts carried out by the administrative authorities – in other words, the validity of the transfer can still be questioned (or in fact, invalidated) until the term to raise a challenge towards the approving administrative authorities has expired. Accordingly, the good-faith principle is still required during the term that the administrative procedure is subject to challenge and until the transfer of the underlying trademark can no longer be challenged.¹⁰³

The good-faith principle is in place so as to ensure that the assignee has obtained the trademark in good faith under certain conditions; the satisfaction of this principle cannot however guarantee that the transfer will be completed especially when the rights associated with the trademark are not in existence in the first place. Article 39 of the 2013 Trademark Law states that "the valid term of a registered trademark is ten years (counting from the registration date of the underlying trademark)."¹⁰⁴ A trademark applicant can still transfer its pending trademark prior to the mark becoming registered (even though the mark is being opposed by a third party).¹⁰⁵ Accordingly, even though the transfer of the exclusive rights of a registered trademark must be carried out in good faith, the precondition is that the subject of the transfer – the exclusive rights of a registered trademark – must be in existence. If the transfer takes place prior to the mark becoming registered, and the trademark application does not mature to registration, the assignee is not entitled to the exclusive rights associated with the trademark even though the good-faith requirement has been met throughout the entire process. In the subject case, even though the Company did indeed obtain the Mark through legitimate channels, prior to the transfer becoming effective, the Mark was already denied registration by the Trademark Office; the relevant decision later became effective and was published. Under such circumstances, the Company's claim that it had obtained the 1359214 Trademark in good faith would not be supported by the courts.

102. Yuan Bo, *Legal Basis in Acquisition of Registered Trademark in Good Faith*, People's Judicature – Cases, Vol. 22, 2011 at 44–45.

103. As to the time limit for prosecution of the approval on the registered trademark assignment, please refer to the next chapter.

104. That is, Article 37 of the 2001 Trademark Law.

105. Article 17 Section 2 of the 2014 Implementing Regulation of the Trademark Law provides that "Trademark applicant that transfers its pending trademark application shall proceed with transfer formalities with the China Trademark Office."

9. Prosecution Time Limit to Challenge a Trademark Assignment

Administrative litigation filed by Li Guozong against the Trademark Office and a third party, Yang Cuixian, regarding the trademark assignment concerning the “Guo Zong in Chinese characters” trademark

- First Instance: Beijing No. 1 Intermediate People’s Court (No. 374; 2014) – Decided on March 19, 2014
- Second Instance: Beijing High People’s Court (No. 1515; 2014) – Decided on July 3, 2014

BACKGROUND

The approval on the assignment of “Guo Zong in Chinese characters” trademark (the “*Disputed Mark*”) to Yang Cuixian was published in the Trademark Gazette No. 1260 on April 20, 2011. Dissatisfied with the decision made by the China Trademark Office (the “*Trademark Office*”), Li Guozong (“*Mr. Li*”) – the original registrant of the Disputed Mark filed an administrative litigation with the court on November 11, 2013.

COURT DECISION

Pursuant to Article 41 Section 1 of the Interpretation of the Supreme People’s Court on Several Issues Concerning the Implementation of the Administrative Procedure Law of the People’s Republic of China (the “*Judicial Interpretation*”), Beijing No. 1 Intermediate People’s Court (the “*Intermediate Court*”) held that, when making specific administrative decisions and the administrative authority fails to inform the citizens, legal persons or other organizations of their appeal rights or the appeal time line, the appropriate starting date to calculate the appeal time frame should start from the date on which the citizens, legal persons or other organizations know or should have known about their rights. Despite the above, the appeal or prosecution time limit should not be more than two years. A publication in the Trademark Gazette is a legal way of making a public announcement concerning legal rights; it is deemed public and absolute. When a trademark assignment is published in the Trademark Gazette, the public – including the owner of the registration – is deemed notified of the approval. In this case, the approval of the trademark assignment was published in the Trademark Gazette No. 1260 on April 20, 2011; accordingly, Mr. Li had been imputed with the knowledge concerning the assignment of the Disputed Mark starting on April 20, 2011. Mr. Li’s administrative lawsuit was filed on November 11, 2013; in other words, his litigation had exceeded the two-year time limit that was allowed to challenge the assignment of the Disputed Mark. In light of the above, the first instance court dismissed Mr. Li’s lawsuit.

Mr. Li appealed the dismissal decision to the Beijing High People’s Court (the “*High Court*”). In the appeal, Mr. Li pointed out that he was unaware of the assignment of the Disputed Mark until November 1, 2013 when the local Administration of

Industry and Commerce approached him and acquired about the Disputed Mark. Mr. Li pointed out that the starting date to calculate the appeal time line to challenge the assignment of the Disputed Mark should be November 1, 2013; his litigation was therefore timely.

The High Court reviewed the case and held that the Trademark Gazette is an appropriate legal medium in which the government can announce the approval of trademark assignment concerning a specific trademark registration to the society; accordingly, Mr. Li was deemed to be aware of the assignment of the Disputed Mark since April 20, 2011; his 2013 litigation was therefore not timely – it had exceeded the two-year time limit allowed in the Judicial Interpretation to pursue an appeal. The court of the second instance issued a final decision to dismiss the appeal and maintained the first instance's ruling.

ANALYSIS & INSIGHT

The key in this case involves the calculation and recognition of the start date and the appeal time frame in an administrative litigation concerning the approval of a trademark assignment. The time frame issue is closely related to the administrative body's approval of the underlying trademark assignment.

1. Definition of Specific Administrative Acts and Its Essential Elements.

It is stipulated in Article 5 of the Administrative Procedure Law that “*In handling administrative cases, the people's courts shall examine the legality of specific administrative acts.*” Based on the above, in an administrative litigation case, the scope of judicial examination is limited to the specific administrative act itself. The specific administrative act is relative to the abstract administrative act; it refers to the administrative act made by the administrative authorities concerning specific administrative audiences.¹⁰⁶

A specific administrative act must include the following four key elements for it to become effective:

- (1) the existence of administrative power;
- (2) the practical exercise of administrative power;
- (3) the existence of legal effects; and
- (4) the existence of intention.¹⁰⁷

The Trademark Office's approval of a trademark assignment is within its legal rights directly authorized by the Trademark Law. Accordingly, the Trademark Office's relative act concerning the applicant's trademark approval application should be

106. Jiang Ming'an, ed., ADMINISTRATIVE LAW & ADMINISTRATIVE PROCEDURE LAW, Beijing University Press, Higher Education Press, 178 (2005).

107. Jiang Ming'an, ed., *id.*, 223.

deemed a specific administrative act as long as it has corresponding legal effects. The so-called legal effect or legal meaning refers to certain rights or obligations that the subject applicant is seeking to determine, change or eliminate through its will and is seeking legal protection through its application. The “legal effect” discussed in this context must be the effect directing or targeting a specific relative person.¹⁰⁸ According to Article 31 Section 1 of the 2014 Implementation Regulations of Trademark Law,¹⁰⁹ the Trademark Office should issue relevant certificate or proof to the assignee once it approves the assignee's application to assign certain trademark registration. Based on the above, Trademark Office's act in approving the trademark assignment is a type of specific administrative act; it is therefore subject to the corresponding judicial examination.

2. Trademark Assignment Approval and the Publication Relating to a Trademark Assignment Approval.

Despite the fact that an approval of a trademark assignment is undoubtedly a specific administrative act, the content of such an administrative act and the completion of the administrative act – whether or not it is completed once the announcement is made – are often misunderstood by the public.

According to Article 42 Section 4 of the 2013 Trademark Law, “*once the assignment of a registered trademark has been approved, it shall be published. The assignee shall start enjoying the exclusive rights associated with the assigned trademark from the publication date.*”¹¹⁰ The “publication” act comes after the application has been “approved.” This explains why the public often misunderstands the publication act as separate and independent from the specific administrative act concerning the approval of trademark assignment. The misunderstanding should be clarified once we review this act in the context of the Trademark Law and the Implementation Regulations of the Trademark Law (the “Implementation”).

First, Article 31 Section 1 of the 2014 Implementation stipulates that “*In order to seek an assignment of a trademark, both the assignor and the assignee shall submit a written application with the Trademark Office. The application procedures concerning an assignment of the registered trademark shall be processed jointly and involve both the assignor and the assignee. Once the assignment application has been approved by the Trademark Office, the Trademark Office shall issue an approval certificate and make a public announcement.*”¹¹¹ Based on the above, it is clear that in order to accomplish the

108. Jiang Ming'an, ed., *id.*, 226–227.

109. Article 25 Section 1 of the 2002 Implementation Regulations of the Trademark Law.

110. Article 39 Section 2 of the 2001 Trademark Law.

111. Article 25 Section 1 of the 2002 Implementation Regulations of the Trademark Law stipulates that “When applying for the assignment of a registered trademark, the assignor and assignee shall file with the Trademark Office an Application for Assignment of Registered Trademark. The formalities of applying for the assignment of the registered trademark shall be gone through by the assignor. The Trademark Office, upon examination and approval of the application, shall issue the relevant certificate to the assignee and make an announcement.”

administrative act of approving a trademark assignment, the Trademark Office must complete two steps: (1) issue the corresponding approval certificate to the assignee, and (2) make a public announcement.

Second, although neither the 2001 nor the 2013 Trademark Law provided any clear guidance or stipulations concerning the specific act of publication (which therefore contributed to the public perception that the announcement act itself lacked proper legal foundation), the 2014 Implementation Regulations of the Trademark Law provided some clear guidance and rules in respect to the effects of the trademark publication based on Article 57 Section 2 of the 2002 Implementation Regulations of the Trademark Law.¹¹² Specifically, Article 96 of the 2014 Implementation states that “*The Trademark Office shall publish the Trademark Gazette to announce trademark applications that have matured to registration as well as other related trademark matters. The Trademark Gazette can be published either electronically or on paper. The public is deemed to know or should have known about the content included in the publication, except for service by publication, since the publication date.*” In other words, trademark announcement is a type of publication (except for service by publication); the public is deemed to know or should have known the content included in the publication. Furthermore, the Trademark Gazette’s main audience is the public in general – the purpose of the publication is to ensure that the public in general are aware of trademark matters; in other words, the purpose of the Trademark Gazette is not to change any rights or obligation relationships between certain specific parties. In light of the above, the trademark publication is not itself an independent specific administrative act.

Third, trademark registration is to record relevant trademarks in the Trademark Register.¹¹³ A trademark registration certificate along with other certifications are proof that a right holder enjoys exclusive rights relative to the mark registered.¹¹⁴ The Trademark Law had specifically stated that an assignee shall enjoy exclusive rights associated with the assigned mark starting from the publication date of the approval of the trademark assignment. The assignee does not enjoy any trademark rights prior to the publication of the announcement. In other words, since the legal effect of a trademark assignment does not occur prior to the publication date, the corresponding specific administrative act is not considered to be completed prior to the publication date. This means prior to the approval publication, the claims relating to “relevant certificates or proofs” concerning the approval of the trademark assignment would not have any proper legal foundation.

112. Article 57 Section 2 of the 2002 Implementation Regulations of the Trademark Law stipulates that “The Trademark Office shall compile, print and distribute the Trademark Gazette to publish trademark registrations and other related matters.”

113. Article 94 of the 2014 Implementation Regulations of the Trademark Law stipulates that “The Trademark Office shall prepare a Trademark Register to record registered trademarks and related registration matters.”

114. Article 95 of the 2014 Implementation Regulations of the Trademark Law stipulates that “The Trademark Registration Certificate and other relevant certificates are proofs that a right holder enjoys the right to exclusive use of a registered trademark. The registration matters recorded on the Trademark Registration Certificate shall be consistent with those on the Trademark Register. In the event of any discrepancy thereof, the Trademark Register shall prevail unless there is evidence to prove that it is indeed erroneous.”

Fourth, from the administrative law perspective, the approval act of a trademark assignment is a form of administrative confirmation. An administrative confirmation is a specific administrative act from the administrative authority to an administrative relative person concerning the latter’s recognition, approval or denials of its legal status, legal relationships or relevant legal facts and the corresponding public announcement made by the administrative authority.¹¹⁵ The approval of a trademark assignment, as discussed above, is a type of specific administrative act; it is a form of confirmation regarding the transfer of trademark rights between the assignor and assignee based on a trademark assignment agreement. The trademark announcement is simply the declaration part in this administrative act.¹¹⁶

In conclusion, the specific administrative act of approving a trademark assignment is composed of two parts: “approval” and “announcement.” The “approval” is made by the trademark administrative authority confirming the substantive transfer of the trademark right from the assignor to the assignee; the “announcement” is the manifestation of the administrative approval.

3. Determine the Prosecution Time Period Relating to the Trademark Assignment Approval.

The determination of the prosecution time period in an administrative litigation regarding concerning the approval of a trademark assignment is a key issue; it directly impacts the parties because the outcome would determine whether or not the parties are entitled to any judicial reliefs. It is an important topic worth further discussion.

a. Relevant Regulations.

There are three primary judicial interpretations discussing the prosecution time period involving the specific administrative act concerning the approval of a trademark assignment:

Article 39 of the Administrative Procedure Law: “*If a citizen, legal person or any other organization brings a lawsuit directly before a people’s court, except otherwise provided for by law, the lawsuit should have been instituted within three months from the day the plaintiff knows about the outcome of the specific administrative act.*”

Article 41 Section 1 of the Judicial Interpretation: “*When making specific administrative acts, and the administrative authority has failed to inform the citizens, legal persons or other organizations about their appeals rights or the prosecution time limit, the prosecution time limit shall be calculated from the date on which the citizens, legal persons or other organizations know or should have known about the right to appeal – the prosecution time limit, however, shall not exceed two years.*”

115. Jiang Ming’an, ed., ADMINISTRATIVE LAW & ADMINISTRATIVE PROCEDURE LAW, Beijing University Press, Higher Education Press, 282 (2005).

116. Luo Haocai, ed., ADMINISTRATIVE LAW, China University of Political Science and Law Press, 232 (1996).

Article 42 of the Judicial Interpretation: *"In situations where the citizens, legal persons or other organizations do not know about the content of the specific administrative decisions made by the administrative authority, the prosecution time limit shall be calculated from the date the citizens, legal persons or other organizations know or should have known about the content. Despite the above, the people's court shall not accept the case if the litigation is brought 20 years later involving real estate specific administrative acts, or 5 years later concerning other specific administrative acts."*

b. Understanding and Applications of the above Regulations.

The three-month prosecution time limit stipulated in Article 39 of the Administrative Procedure Law is a general rule in administrative litigations where there are no specific laws governing the situations in the underlying litigations. In situations where the relevant laws including judicial interpretations have provided special rules governing the prosecution time limit, such "special" time limits should prevail.

Article 41 Section 1 of the Judicial Interpretation is a special rule that is provided in respect to Article 39 of the Administrative Procedure Law. Article 41 Section 1 is "special" for the following two reasons: (1) it stipulates the starting date for the prosecution time period in situations where the administrative authority has failed to notify the citizens, legal persons or other organizations of their appeal rights or the prosecution time limit. (2) The prosecution time period should be limited to two years, starting from the date the citizens, legal persons or other organizations know or should have known about their appeal rights or the prosecution time period. The longest prosecution time period is two years from the date on which the citizens, legal persons or other organizations know or should have known about the content of the specific administrative acts.

Article 42 of the Judicial Interpretation is a special rule made in response to Article 41 Section 1 of the Judicial Interpretation. Article 42 further stipulates the time limit for citizens, legal persons or other organizations to bring an administrative litigation. The two-year prosecution time period discussed in Article 41 Section 1 is calculated from the date the citizens, legal persons or other organizations know or should have known about the content of the specific administrative acts; the starting time period is not from the date the specific administrative acts were made. In other words, based solely on Article 41 Section 1 of the Judicial Interpretation, there exists a possibility that the citizens, legal persons or other organizations still could bring an administrative litigation a long time after the specific administrative acts were made because they did not have a chance to learn about the content until a later point; this possibility posts a risk to the stability of the judicial system. In order to maintain the stability in the judicial system, Article 42 of the Judicial Interpretation further limits the two-year prosecution time line by offering the following specifics:

- (1) When the citizens, legal persons or other organizations do not know about the content of the specific administrative acts made by the administrative authority, the prosecution time limit shall be calculated from the date the citizens,

legal persons or other organizations know or should have known about the content of the specific administrative acts.

- (2) The longest time limit for the citizens, legal persons or other organizations to bring an administrative litigation is twenty years if the specific administrative acts involve real estate, and five years for other specific administrative acts. The calculating point for both limitations is the date the specific acts are made by the relevant authorities.

Although Article 41 Section 1 of the Judicial Interpretation stipulates the longest prosecution period is two years from the date the citizens, legal persons or other organizations know or should have known about the content of the specific administrative acts, the longest prosecution period for other specific administrative acts (except for those involving real estate) is five years from the date the underlying administrative acts were made. Based on the above, if an administrative relative person knows or should have known about the specific administrative act on the third year after the act was made, the corresponding prosecution period to bring an administrative litigation would be less than two years. In other words, in the above situation, the prosecution time period would be less than the two-year time period allowed for citizens, legal persons or other organizations when the latter know or should have known about the content of the specific administrative acts.

As for the nature of the rules, the prosecution period discussed in Article 42 of the Judicial Interpretation is not independent from the two-year prosecution period discussed in Article 41 Section 1. Instead, Article 42 is supplementary to Article 41 Section 1 so that in situations where the citizens, legal persons or other organizations do not know about the content of the specific administrative acts but can bring an administrative litigation in the maximum time frame allowed under the law. This also brings finality to the relative administrative acts.

For example, suppose there was one specific administrative act and it was made on January 1, 2000; the administrative relative person did not learn about this act until January 1, 2001. Based on Article 41 Section 1 of the Judicial Interpretation, the prosecution period should be calculated from January 1, 2001, and the last day the administrative relative person can bring an administrative litigation is January 1, 2003. If the administrative relative person does not know about the specific administrative act until January 1, 2002, then the last date it can bring an administrative litigation is January 1, 2004. But if the two-year time limit from the date the administrative relative person knows about the specific administrative act has exceeded the five-year time limit from the date the specific administrative act was made, the two-year prosecution time limit no longer controls - instead, the prosecution time period should be calculated from the date the administrative relative person should have known about the specific administrative act until the 5th year anniversary from the date the specific administrative act was made. For example, the administrative relative person knows about the above-mentioned specific administrative act on August 12, 2003. In this situation, August 12, 2003, would be the starting date for the purpose to calculate the prosecution time period and the last date for the administrative relative person to bring the lawsuit is January 1, 2005 - i.e., the 5th anniversary when the administrative act

was made. In this case, the actual prosecution period for the administrative relative person to bring a lawsuit is less than two years from the date it learns about the administrative act. On the other hand, if we calculate the prosecution time period based on the two-year limit, then the last day the administrative relative person can bring a lawsuit falls on August 12, 2005, which falls outside the five-year anniversary rule when the administrative act is first made. By the same token, even though a specific administrative relative person does not know about the administrative act until December 30, 2014, the last date it can bring a lawsuit still falls on January 1, 2005.

Based on the above, when determining the relevant prosecution time period of an administrative litigation regarding the specific administrative act of approving a trademark assignment, the two-year prosecution time limit discussed in Article 41 Section 1 of the Judicial Interpretation is still the general guiding principle. However, in situations where the citizens, legal persons or other organizations learn about the underlying specific administrative act and would therefore push the prosecution time period outside the 5th year anniversary window of the specific administrative act as discussed Article 42 of the Judicial Interpretation, the prosecution time period discussed in Article 42 controls.

4. The Legal Effect of the Trademark Gazette.

There was an article proposing the idea that the Trademark Gazette should be divided into two sections based on the published content: “public announcement” and “service announcement” – these two types of announcements would also have different legal effects. “Public announcement” refers to the type of announcement from the trademark office concerning the exclusive rights of a registered trademark – such as creation, extension, variation, or elimination of such exclusive rights. This type of announcement is made to the public in general without any specific groups in mind; its publication date is also deemed the date the public is imputed with the knowledge regarding the content of the announcement. “Service announcement” is a legal concept, a procedural requirement based on litigation law. It is simply one of the ways to “serve” a specific relative person or group of the underlying litigation. Such an announcement is one of the ways to “inform” the administrative relative person of the lawsuit (or result of a lawsuit). The announcement itself is not an independent administrative act; it is not a necessary part of the relevant administrative act either.¹¹⁷

Strictly speaking, serving legal documents to a specific relative person or group is not a statutory requirement of the Trademark Gazette. The purpose to include such information in the Trademark Gazette is only to facilitate the delivery of information – the information can also be published in carriers other than the Trademark Gazette. The goal to publish the Trademark Gazette is to announce trademark registration and related trademark matters and thereby, allow the public in general to be aware of trademark matters. The nature of the Trademark Gazette is public announcement; once

117. Jiang Shuwei, *The Differentiation and Analysis of the “Public Announcement” and “Service Announcement” in the Trademark Administrative Examination*, Chinese Patent and Trademark, Vol. 3, 2011 at 76.

the information is published, the general public is deemed to be aware of the published content and such an awareness is legally binding. In fact, different from the presumption in the procedure law, the relative person’s or group’s presumptive knowledge through the publication of the Trademark Gazette cannot be challenged or refuted by counter evidence. Although the Trademark Law and the 2002 Implementation Regulations of the Trademark Law did not provide clear guidance on the specific legal effect concerning the Trademark Gazette, Article 96 Section 3 of the 2014 Implementation Regulations of the Trademark Law has provided specific updates on the legal binding effects regarding matters published on the Trademark Gazette.

Therefore, the first instance court’s view that the Trademark Gazette was merely a type of service was incorrect; this perspective was not confirmed nor supported by the second instance court. Despite this, it is a generally accepted view that the information once published in the Trademark Gazette does have legal binding effects. Except for a service announcement made in the Trademark Gazette (which is done for the purpose to facilitate the trademark procedures), any announcement made in the Trademark Gazette shall be deemed public knowledge – the public is deemed to know or should have known about the published content in the Trademark Gazette from the date of publication. Accordingly, in respect to the specific administrative act of the Trademark Office’s approval of the underlying trademark assignment in this case, the assignor was deemed to know or should have known about the assignment approval from the date the Trademark Gazette carrying such information was published.

CHAPTER 5

Invalidation of a Registered Trademark

14. There is no Time Limit for the Owner of a Well-Known Trademark to Bring an Invalidation Action Against a Bad-Faith Registration



Appeal of administrative litigation regarding the trademark invalidation action filed by Sichuan Mian-Zhu Jiannanchun Distillery Co., Ltd. against a trademark registration for “JINZHU in English and Chinese characters” – the registration belongs to Shenzhen Bao Song Li Industrial Co., Ltd.

– First Instance: Beijing No. 1 Intermediate People’s Court (No. 3359; 2012) –
Decided on December 18, 2012

BACKGROUND

Sichuan Bishan County Distillery applied for a trademark application for “JIN ZHU in English and Chinese characters and Design” (Registration Number 212759; *see* Image One below; the “*Disputed Mark*”) on February 15, 1984; it was approved for registration on September 15, 1984, in connection with Class 33 alcohol and liquor products. The owner of the Disputed Mark later changed its name in March 1995 to Chongqing Bishan County distillery. The Disputed Mark was assigned to Sichuan Mian-zhu Mian Cellar Distillery in October 1999, to Chongqing Chuanshi Industrial Co., Ltd. in July 2000, and finally, to Shenzhen Bao Song Li Industrial Co., Ltd. (the “*Owner*”) in September 2008.

Sichuan Mian-Zhu County distillery applied for “MIAN-ZHU in Chinese characters and Design” (Registration Number 112495; *see* Image Two below; the “*Cited Mark*”) and the Cited Mark was approved for registration on October 31, 1979, in connection with Class 33 alcohol and liquor products. Through various assignment, renewals, and changes of ownership, Sichuan Mian-Zhu Jiannanchun Distillery Co., Ltd. became the owner of the Cited Mark (the “*Applicant*”).

Image One	Image Two
Disputed Mark	Cited Mark
	

On June 7, 2010, the Applicant filed an invalidation action seeking to cancel the Disputed Mark. Its primary grounds to support the invalidation actions are summarized below:

The “Mian-Zhu” liquor has a long history in China, and the brand has been used exclusively by the Applicant since 1954 in China. The trademark application associated with the brand was approved for registration on October 31, 1979. In other words, the Mian-Zhu brand had already achieved the well-known status in China prior to the filing date of the Disputed Mark. The Owner adopted the Disputed Mark, which is closely similar to the Cited Mark; furthermore, the use of the Disputed Mark copies unique packaging design of the Applicant’s Cited Mark which has already led to consumer confusion and caused a significant impact on the Applicant’s legitimate rights. The above situation has fulfilled the situation described in Article 13, Section 2 of the 2001 Trademark Law. Accordingly, the Disputed Mark should be cancelled.

The Owner did not file any response to the invalidation action within the time period.

The TRAB under SAIC of PRC (the “*Appeal Board*”) reviewed the invalidation action. The Appeal Board pointed out that the Disputed Mark was approved for registration on September 15, 1984; in other words, the Disputed Mark had been registered for more than five years by the time the Applicant raised the invalidation action on June 7, 2010. Despite this, based on Article 41 Section 2 of the 2001 Trademark Law, a trademark owner or any interested parties can raise an invalidation action to the Appeal Board to invalidate a registered trademark within the first five years of the disputed mark’s registration on the ground that the registration of the mark has violated Articles 13, 15, and 31 of the Trademark Law. An owner of a well-known trademark, however, is not limited by the five-year time period and can raise an invalidation action at any time against a bad faith registration.

Based on the evidence provided by the Applicant, it is clear that Mian Zhu Da Qu has enjoyed a long history in connection with liquor and alcohol products in China. The Mian Zhu Da Qu branded liquor has been sold in the Sichuan province as early as 1992; the brand has received numerous awards, including industry excellence awards, and had been recognized by the government. The Mian Zhu Da Qu branded liquor continues to be manufactured and sold across China since PRC New China was established, and it continues to receive various awards. Since the Cited Mark was

approved for registration in 1979, the Mian Zhu Da Qu branded products have been sold in many provinces in China and remain a popular choice for liquor products even today. In light of the consistent and extensive use of the brand, the Cited Mark has achieved a high level of fame among the relevant public. In fact, prior to the filing date of the Disputed Mark, the Applicant’s Cited Mark – “MIAN-ZHU in Chinese characters and Design” – has fulfilled the well-known trademark requirements as defined by Article 14 of the Trademark Law.

The original and current owner of the Disputed Mark should have been aware of the Applicant, its Cited Mark, and the high level of fame associated with the Cited Mark in connection with Class 33 alcohol and liquor products in China. In fact, evidence had shown that the local administrative office had issued various punishment and notices to the past and current owner of the Disputed Mark in light of their copying of the packaging design concerning the Applicant’s Mian Zhu Da Qu branded liquor. The above punishments were recognized by two courts in Mian-Zhu city and De-Yang city; the bad faith of the Owner of the Disputed Mark was therefore clear. The subject invalidation action therefore is not bound by the five-year time limit discussed in Article 41 Section 2 of the Trademark Law.

The characters in the Disputed Mark (“JIN ZHU”) and the characters in the Cited Mark (“MIAN-ZHU”) are very similar; these characters also have the same visual impact to consumers. Although the Disputed Mark is a senior registration, it has been assigned various times. Sichuan Mian-Zhu Mian Cellar Distillery and the Owner purposefully caused consumer confusion by taking advantage of the visual similarities between the two sets of characters and copying the overall design packaging of the Cited Mark. The Owner’s unfair competition acts have caused confusion in the marketplace, had a negative impact on consumer interests, and detrimental effects on the Applicant’s legitimate interests. In light of the above, the registration of the Disputed Mark should be cancelled in accordance with Article 13 Section 2 of the Trademark Law.

The Owner of the Disputed Mark disagreed with the Appeal Board’s decision (No. 29989) and raised a trademark administrative litigation to the Beijing No. 1 Intermediate People’s Court (the “*Intermediate Court*”).

COURT DECISION

The Intermediate Court reviewed the case and pointed out the Disputed Mark was approved for registration on September 15, 1984; the Appeal Board reached a decision (No. 29989) on July 9, 2012; Article 13 and related sections of the 2001 Trademark Law were applicable to the subject case. Overall, 2001 Trademark Law was applicable to the subject case based on Article 5 of the Interpretation of the Supreme People’s Court on the Relevant Issues concerning the Scope of Jurisdiction and on the Scope of Application of Laws for Hearing Trademark Cases and Article 59 Section 1 of the Rules for Trademark Review and Adjudication (2002 Revision).

Although the marks at issue cover the same type of products, the subject case did not exactly fall under the situation described in Article 13 Section 2 of the 2001

Trademark Law. The case should be granted a longer period of time to contest and invalidate any bad faith registrations for the legislative intent to give special protection to well-known trademarks. Thus, the 2001 Trademark Law should be applicable to this case.

Although the Trademark Law in China did not offer specific cross-class protection to well-known trademarks until after the 2001 revision, the determination of a well-known trademark was intensely fact-driven. The well-known status of a mark should consider the relevant public's awareness of the mark at a certain period of time. Accordingly, even though the Trademark Law did not specifically discuss the exact protection afforded to marks that had attained the well-known status, this did not take away from the fact that a trademark could still be considered well-known even in 1984.

Article 41 Section 2 of the 2001 Trademark Law states that an owner of a well-known trademark can raise an invalidation action against a bad-faith registration and there is no specific time limit in respect to the owner's right to challenge a bad-faith registration. The evidence in this case had shown that prior to the filing date of the Disputed Mark, the Cited Mark had attained the well-known status as discussed in Article 14 of the Trademark Law. In this case, the characters in the Disputed Mark "Jin Zhu" and the characters in the Cited Mark "Mian-Zhu" were very similar and had the similar visual impact on consumers. The original owner of the Disputed Mark and the owner of the Cited Mark were in fact located in the same province in China: Sichuan. Considering the proximity of the owners of the two marks, the owner of the Disputed Mark should have been well aware of the fame associated with the Applicant and the Cited Mark. The owner of the Disputed Mark can therefore be imputed with bad faith and its intention to trade on the goodwill and reputation of the Cited Mark because it still decided to register its mark despite its close similarities with a well-known trademark. Furthermore, although the Disputed Mark had been registered for a long time, it had been assigned and transferred multiple times as well. When the Disputed Mark was under the ownership of Sichuan Mian-Zhu Mian Cellar Distillery and Shenzhen Bao Song Li Industrial Co., Ltd., both companies were cited for violation for their intentional copying of the design packaging of the Cited Mark and their causing international consumer confusion given the overall design similarities and the similar nature between the characters in both parties' marks. Based on the assignment situation of the Disputed Mark and the intentional copying of its various owners, it is clear that the Disputed Mark was originally filed in bad faith; the Disputed Mark had become nothing but a convenient "tool" allowing its owners to obtain illegitimate profits by trading on the goodwill associated with the Cited Mark and profiting from consumer confusion. In fact, the Applicant's legitimate rights over the Cited Mark were further impacted due to the present and past owners' intentional copying of the Cited Mark, its overall packaging, and their deliberate causing of consumer confusion. In light of the above, the Disputed Mark should be invalidated in accordance with Article 13 Section 2 of the 2001 Trademark Law. Appeal Board's decision (No. 29989) is clear, the decision was rendered with due process and involves the correct application of the law. The Appeal Board's decision should therefore be maintained.

Neither party raised an appeal after their receipt of the Intermediate Court's decision. The decision is now effective.

ANALYSIS & INSIGHT

The current Trademark Law includes a number of articles offering special protection to well-known trademarks. For example, Article 13 Section 2 protects unregistered well-known trademarks over the same or similar products; Article 13 Section 3 protects registered well-known trademarks over products different or dissimilar from those registered; Article 45 Section 1 specifies the time limit for the owner of a well-known trademark to petition for protection. For this case, Article 13 Section 3 is applicable due to its discussion of the time period limitation for well-known trademarks.

Article 13 Section 3 of the Trademark Law states that "a junior mark should be refused for registration or be prevented from being used if it covers different or unrelated products so long as the junior mark is a copy, imitation or translation of third party's mark that is already a registered well-known trademark in China, and the use/registration of the junior mark would lead to consumer confusion, and could potentially damage the legitimate rights of the owner of the well-known mark." Three criteria must be fulfilled in order to apply the above article:

- (1) The cited mark has already obtained the well-known status prior to the filing date of the disputed mark and is already registered in China.
- (2) The disputed mark is a copy, imitation or translation of a third party's well-known trademark.
- (3) The use or registration of the disputed mark is likely to lead to consumer confusion and potentially bring a negative impact on the well-known trademark owner's legitimate interests, despite the fact that the disputed mark covers different or dissimilar products from those registered by the well-known trademark.

In addition to the above, if the disputed mark has been registered for more than five years by the time the invalidation action is raised, it must be proven that the disputed mark was registered in bad faith. Accordingly, the focus of this case is twofold:

- The application of the above trademark law on the subject case in respect to the disputed mark's copying, imitation, or translation of the third party's well-known trademark registration in respect to the same or similar products.
- The determination of a bad faith registration.

A. Application of the Relevant Trademark Law to Protect a Well-Known Registered Trademark on the Same or Similar Products.

The legislative purpose of Article 13 of the Trademark Law is to afford a stronger protection to a well-known trademark (compared to a regular trademark) given that such marks are more likely to be copied so as to allow third parties to obtain improper profits and trade on the goodwill associated with the well-known trademarks. This

level of protection is warranted so as to protect the well-known trademark owner's rights, maintain fair competition in the marketplace and to protect the legitimate rights of consumers. Given that Article 30 of the Trademark Law already covers the situation where the junior mark is similar to the senior mark visually and phonetically and in terms of the overall covered goods or services, Article 13 covers different situations. Specifically, Article 13 offers protection to unregistered well-known trademarks in terms of the same or similar goods/services; it also affords protection to registered well-known trademarks in terms of different or dissimilar goods/services. Accordingly, in order to maintain a balance between Article 30 and Article 13, the passive protection nature afforded for well-known trademarks (and the fact that such a protection is offered on as-needed basis), Article 13 is not applicable to all situations. Article 13 does not apply to situations where a junior mark is copying, imitating, or translating a registered well-known trademark if both marks cover the same or similar products. On the other hand, Article 30 is applicable to such a situation where a junior mark is similar to a senior well-known trademark.

Despite the above, in situations where the invalidation action is raised after the disputed mark has been registered for more than five years and the disputed mark is a bad-faith registration, one should not deprive the well-known trademark owner's rights by insisting Article 30 is the only applicable law (if so, the invalidation action would be refused, given that it was not timely raised). Considering the legislative intent of Article 13 of the Trademark Law, and the interpretation of the related law, a well-known trademark is more deserving of special protection in situations where the junior mark is copying, imitating, or translating a well-known mark and using it on the same or similar products, as opposed to situations involving different or dissimilar products/services. In light of the above, in situations where a junior mark is copying, imitating, or translating a registered trademark that is already well-known in China, and the two marks involve the same or similar products, Article 13 Section 3 of the Trademark Law (Article 13 Section 2 of the 2001 Trademark Law) is applicable when an invalidation is raised after the 5th registration anniversary of the junior mark and the junior mark is registered in bad faith.

B. Determination of a Well-Known Trademark.

Article 14 Section 1 of the Trademark Law states: the determination of a well-known trademark should consider the following:

- (1) The level of awareness of the mark to the relevant public.
- (2) The extensive nature and the period of time the mark have been used.
- (3) The period of time and the extent the mark has been promoted and its geographical coverage of the mark that has been promoted.
- (4) Any documentation to support that the mark has been recognized as well-known.
- (5) Other factors relevant to consider whether or not the mark should be deemed well-known.

The determination of whether or not a mark should be considered as well-known should consider all the factors discussed above; it is, however, not a precondition that a mark must fulfill all criteria in order to be recognized as well-known. Key factors to consider include:

1. The Determination of "Relevant Public."

The concept of "relevant public" is important in order to decide whether or not a mark should be regarded as well-known. The relevant public concept has two key features: (1) territorial; and (2) relevance. "Territorial" refers to the public's perception of the mark at time of issue in China; it would not be reasonable to require that the mark should enjoy a similar well-known status in other countries or jurisdictions. Similarly, a mark should not be regarded as well-known in China simply because it has obtained such a status in other countries or jurisdictions. "Relevance" refers to the public's perception concerning the products or services at time of issue that are requested to be recognized as well-known. This includes, but is not limited to, the following situations: (1) the product manufacturers or service providers for the mark at issue; (2) the relevant consumers for the goods or services at issue; and (3) all the operators and related people that come in contact with the mark and its products (or services) during the channel of distribution process.

2. The Evidence Requirement.

In practice, the following evidence can be submitted to support the well-known status of a mark:

- (a) Contracts, receipts, invoices, bills of lading (B/L), bank accounts or invoice information, import/export receipts concerning the goods/services bearing the mark at issue.
- (b) Scope of distribution, sales networks and sales channels concerning the goods/services bearing the mark at issue.
- (c) Advertising records on broadcasts, television, movies, newspaper, periodicals, Internet coverage, outdoor and multi-media advertising, media comments and other promotional activities and materials concerning the mark at issue.
- (d) Materials showing the goods/services bearing the mark at issue being promoted or displayed at trade shows or other public exhibitions.
- (e) The first use date regarding the mark at issue and information showing the continuous use of the mark.
- (f) Proof of registration of the mark at issue in China, and countries or jurisdictions in other parts of the world.

- (g) Official recognition by trademark authorities or administrative authorities regarding the well-known status of the mark (or why it deserves more protection) as well as information relating to the infringement situations of the mark.
- (h) Sales revenue, profit and tax/asset information, output statistics, ranking information and advertising expenditures provided by authorities, industry associations, or trade groups.
- (i) Awards the mark at issue has received over the years.
- (j) Other relevant information that can prove the fame status of the mark at issue.

The above information should be published or become available prior to the filing date of the disputed mark. All the factors should be considered, and there is no need to fulfill all of the criteria discussed above before a mark can be formally recognized as well-known.

In the subject case, the Applicant had provided a large amount of evidence showing that the Cited Mark had obtained a high level of fame in connection with liquor products prior to the filing date of the Disputed Mark. The submitted evidence included:

- (1) History relating to the trademark use (sufficient to prove a high level of fame in the related industry).
 - Mian-Zhu County Record states that in 1922, Mian Zhu Da Qu was the recipient of the first level of award at Industrial Association of Sichuan Province; in 1928, the brand was a recipient of a medal and a certificate showing that the brand was well received in the Sichuan Province domestic products exhibition.
 - Mian-Zhu AIC record states that the "MIAN-ZHU" in Chinese characters trademark used by Mian-Zhu distillery in 1954 is in fact the first trademark used by an enterprise in the county after the founding of Mainland China. The mark is still in use today.
 - Mian-Zhu AIC's summary table (1979) clearly shows Mian-Zhu distillery's use of the "MIAN- ZHU" trademark.
 - Mianyang Business Bureau of Sichuan Province document (No. 360; 1981) states that the "Mianzhu Daqu branded liquor was still in short supply; the demand continues to exceed the supplies."
 - Sichuan quality products compilation (1979-1985) included MIAN- ZHU liquor as one of its primary brands.
 - Chinese liquor magazine (published by Liaoning People's Publishing House) states that "the Mianzhu-branded liquor had long been a renowned and famous liquor brand before the Liberation; the manufacturing facilities were restored and resumed manufacturing of the famous liquor in 1951; the brand was named the premium product of the Sichuan province in 1963; since then, the brand has been the recipient of multiple awards."

- (2) Tax record and payment history regarding the brand.
 - Mian-Zhu City State Administration of Taxation issued a written notification dated August 24, 2010; the notification stated that: "Tax No. 2920028 and No. 2920031 refer to special tax receipts under the Sichuan Province tax system" and both are related to tax payment and history for the MIAN ZHU DAD QU brand; "Erqu" means Mian-Zhu-Er-Qu. The notification further stated that "these two receipts were issued on January 6, 1984; and they covered the tax period of November 1983 and December 1983 respectively."
- (3) Consumer awareness of the brand, protection of the brand and fame status associated with the brand.
 - Civil Judgment issued by the Hunan High People's Court (No. 11; 2010) stated that: the Mian Zhu Da Qu branded liquor started its production as early as the Qing Dynasty under the Emperor then named "Kangxi;" the MIAN ZHU DA QU liquor had already been selling and enjoying a high level of fame across China before the Liberation. The brand had been the recipient of multiple awards and was indeed a well-recognized brand in the marketplace.
 - The Cited Mark was the recipient of multiple awards such as, "The Premium White Wine of China" and recognized as a "Trustworthy" product due to the brand's high hygiene and production standards. The MIAN ZHU DA QU brand was also ranked third place in the second national brand reputation survey in the alcohol industry. The brand was one of the top ten best-selling national market leading brands in the Sichuan Province. In fact, the MIAN ZHU DA QU brand had been the recipient of various other awards that will not be listed in detail here.

Considering the evidence discussed above, the Appeal Board determined that the Cited Mark had fulfilled the criteria discussed under Article 14 of the Trademark Law and had become a well-known trademark prior to the filing date of the Disputed Mark.

C. Determination of Copying, Imitation or Translation of a Third Party's Well-Known Trademark.

Copying refers to the situation where the disputed mark is identical to the well-known trademark; imitation refers to the situation where the disputed mark adopts either all or parts of the distinctive elements of the senior well-known trademark; translation refers to the situation where the disputed mark uses a different language or characters to express the senior well-known trademark and the well-known trademark already enjoys an exclusive association between itself and such an "expression," and such an expression is known or used by the relevant public.

It is worth pointing out that although the words "copying, imitating or translating" are verbs with subjective meaning, it should not be inferred that such acts must be accompanied by subjective bad faith intent. The above words are in fact translation

from Article 6 Section 2 of the Paris Convention. The special distinction regarding bad faith in Article 45 Section 1 of the Trademark Law also originated from Article 6 Section 2 of the Paris Convention. It can therefore be inferred from Article 45 Section 1 of the Trademark Law that there are two situations involving “copying, imitating or translating” other’s well-known trademark: bad faith, or pure (innocent) coincidence. Otherwise, there would not be a need to enact two separate articles for an invalidation action where one must be brought within the first five years following the registration of the disputed mark (Article 13) and the other is not subject to any specific time limit (Article 41) when an owner of a well-known trademark is seeking to invalidate a bad faith registration.

In the subject case, the basic elements in the Disputed Mark are the same as those in the Cited Mark – all include Chinese characters, corresponding English phonetics, and the bamboo design. Also, the Chinese characters are the primary distinctive visual and phonetic elements in both marks and these characters are visually similar with roughly the same visual impact. Accordingly, it can be determined that the Disputed Mark is an imitation of the Cited Mark.

D. Determination of Consumer Confusion and the Possibility that the Owner’s Interests in the Well-Known Trademark Would Be Negatively Impacted.

The current Trademark Law already has an article specifically designed to offer cross-class protection to a well-known trademark (Article 13 Section 3). However, it is important to note that simply because a mark is being recognized as well-known in one class, it is not automatically entitled to cross-class protection in the other 44 classes of goods and services. The premise in affording a well-known trademark cross-class protection is that the senior mark is registered to goods or services that are dissimilar or different from those covered by the disputed mark; accordingly, the use and registration of the disputed mark would lead to consumer confusion, and negatively impact the rights of the owner of the well-known trademark.

Article 9 of the Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Well-Known Trademarks explains that Article 13 Section 2 of the Trademark Law is applicable to the following situation where the use or registration of a disputed mark is likely to mislead the public and negatively impact the interests of the well-known trademark owner: [the use or registration of the disputed mark] is enough to cause the relevant public to believe the disputed mark is connected to some extent with the well-known mark, and it would “diminish the distinctiveness of the well-known trademark, negatively impact the market reputation of the well-known trademark, or improperly trade off the goodwill or reputation of the well-known trademark.”

In practice, the more well-known and distinctive the mark is, and the more the mark is being used in connection with daily consumer products or services (and its relevant public is in fact the general public), the scope of protection for such a mark will be broadened, especially in the situation where the disputed mark is closely similar to the well-known trademark. For example, in several trademark administrative litigation

cases, the court recognized the YILI mark as a well-known trademark for milk and dairy products, and the mark was later afforded cross-class protection to unrelated products, such as shampoo and computers. The court recognized the mark “BAIDU” as a well-known trademark in connection with Internet search engine services; the mark was later afforded cross-class protection over unrelated products, such as condoms. The court recognized the mark “GIORDANO” as a well-known trademark for clothing products; it was later afforded cross-class protection over products such as sanitary napkins, Hada, and shrouds. The court recognized the mark “SEVEN WOLVES in Chinese characters and Design” as a well-known trademark in connection with clothing products; the mark was later afforded cross-class protection over products such as faucets and radiator sections. The court recognized the mark “Mobil” as a well-known trademark in connection with petrochemical products; the mark was later afforded cross-class protection over products such as fertilizer. The mark “CASIO” was recognized as a well-known trademark in connection with electronic calculators, electronic watches, and electronic music instrument products; the mark was later afforded cross-class protection for unrelated products such as floor drains. The marks “OU BO LA” in Chinese characters” and “AUPRES” are recognized as well-known trademarks for cosmetic products; they were afforded cross-class protection over unrelated products, such as sausage casings and condom products. The mark “Zhong Xin in Chinese characters” was recognized as a well-known trademark in connection with financial services; it was later afforded cross-class protection for toilet products. The mark “Chanel” was recognized as a well-known trademark in connection with cosmetics and clothing products; it was later afforded cross-class protection over unrelated products such as sanitary napkins.

In the subject case, although the Cited Mark and the Disputed Mark were both approved for registration in respect to the same products, in light of the specific requirements under Article 13 Section 2 of the 2001 Trademark Law, further analysis was still needed to see if the registration of the Disputed Mark would mislead the public and cause a negative impact on the Cited Mark owner’s rights. The evidence submitted to the Court was sufficient to show that the prior and current owner of the Disputed Mark purposefully caused consumer confusion by taking advantage of the visual similarities between the characters in the Cited Mark and those in the Disputed Mark, and their deliberate adopting of a packaging design similar to that of the Cited Mark was also a gesture aimed to create market confusion. As such, the use of the Disputed Mark had already triggered negative impact on the marketplace; it had therefore damaged the Cited Mark Owner’s legitimate rights.

E. Determination of a Bad-Faith Registration.

According to Article 45 Section 1 of the Trademark Law, the owner of the well-known trademark or any interested party can file an invalidation action to the Appeal Board in the first five years of the disputed mark’s registration date seeking to invalidate its registration if the mark was filed based on copying, imitation, or translation of a third party’s well-known trademark. However, if the disputed mark is in fact a bad faith

application, the owner of the well-known trademark and any interested parties seeking to invalidate the bad faith disputed mark are not bound by the five-year time limit. Accordingly, for any invalidation action that is raised after the 5th registration anniversary of the disputed mark, it is important to first establish the disputed mark is a bad faith application before the invalidation action can be reviewed for its merits.

Below are the relevant factors to consider when determining whether or not the owner of the disputed mark filed the mark in bad faith:

- (1) whether or not the owner of the disputed mark has any contact or business connection with the owner of the cited mark;
- (2) whether or not the owner of the disputed mark is located in the close proximity with the owner of the cited mark, or if the products/services of both marks have the same channel of trade and are sold within the same geographic area;
- (3) whether or not the owner of the disputed mark has ever encountered any disputes with the owner of the cited mark so that the former should be imputed with knowledge of the cited mark;
- (4) whether or not there is any connection between the people working for the cited mark and those working for the disputed mark;
- (5) whether or not the owner of the disputed mark has used its mark for improper business purposes such as purposefully causing consumer confusion by trading off the goodwill and reputation of the cited mark, compelling the owner of the cited mark to cooperate with it or to extort an unreasonably high assignment fee, licensing fee, or compensation fee from the owner of the cited mark or any third parties;
- (6) the cited mark is an inherently strong distinctive trademark;
- (7) other factors that are helpful to determine the disputed mark was filed based on bad faith.

In the subject case, the Applicant had submitted a large amount of evidence establishing trademark infringement committed by the prior and current owner of the Disputed Mark. Selective supporting evidence included:

- (1) In the decision rendered by the People's Court in Mian-Zhu City, Sichuan Province (No. 9; 2000), the decision recognized the Applicant's Mian-Zhu Brand product, Mian Zhu Da Qu, as a famous product. The packaging of Jin Zhu branded Jin Zhu Da Qu products was closely similar to that of the Applicant's famous brand, and the Owner's acts have constituted unfair competition.
- (2) In the decision of administrative penalty rendered by the AIC in Mian-Zhu City, Sichuan Province (No. 20; 2009), it was identified that Sichuan Mian-Zhu Mian Cellar Distillery entrusted another party to manufacture and process the Jin Zhu Da Qu liquor products and delivered them to Shenzhen Bao Song Li Industrial Co., Ltd. for distribution; the Jin Zhu Da Qu liquor

products adopted the packaging design similar to that of the Applicant's Mian Zhu Da Qu liquor products. This decision was upheld in the two instances.

- (3) In the decision rendered by the People's High Court in Hunan Province (No. 11; 2010), the "Jin Zhu Da Qu" characters were closely similar to those characters – i.e., "Mian Zhu Da Qu" – that were adopted and used by the Applicant; the Owner's deliberate use of these characters had therefore constituted an infringement against the Applicant's trademark and name rights;
- (4) The Hong Kong High Court's decision to remove the following characters – JIANNANCHUN in English and Chinese characters – from the corporate file of the company, Sichuan Province Jian Nan Chun Distillery (Hong Kong) Limited Company. The company was established by the legal representative of the Owner: XIE Yuechang.

The present case was not subject to the five-year limitation because the Disputed Mark was a bad faith registration which was supported by the following facts: (1) the Cited Mark had been put to use for a long time and had enjoyed a high level of fame prior to the filing date of the Disputed Mark; (2) the owner of the Disputed Mark and the owner of the Cited Mark were located in the same area, Sichuan Province; and (3) a series of infringements committed by the prior and current owner of the Disputed Mark.