

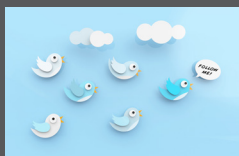


EDITORS' PICK



P2 IP CHINA

Chanel N.5: bottle shape is protected, packaging no



P4 IP ASIA

Trademark squabble: Twitter wins in Singapore



P5 IP CHINA

Vaccination of a tiger: first NFT litigation in China



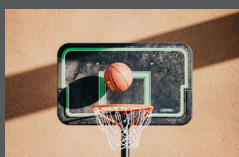
P7 IP CHINA

Pirelli overcomes the 5 years limitation and wins



P9 IP ASIA

South Korea: Amendments to Trademark Law



P10 IP CHINA

Trademark suspension for pending prejudicial procedure

Dear readers,

You might have noticed some changes in our GossIP: to give you a more complete insight, from now on, beside the Newsletter, we will publish in our Magazine a summary of the best articles from the last months, not only China related cases.

As you can see, this summer edition is very rich!

We start with one of the most iconic and famous perfume of all the times, Chanel N. 5. Released in 1921, this eau de parfum is still synonymous with sophistication and luxury. And of course, one of the most copied. With these premises, we expected that the case was easily won by Chanel, but we had a surprise instead.

And also surprising is the result of the case Twitter vs VV Technology, a Singaporean startup which applied for a trademark registration consisting of a yellow flying bird, with an eye, used for online shopping and food delivery services.

The Metaverse is becoming a very hot topic for IP: On April 22, 2022, Hangzhou Internet Court published a decision on the very first NFT intellectual-property infringement case in China. Even though the legislation for the NFTs is still far from being settled, there are some legal principles that can be applied to protect IP rights.

We can't avoid mentioning a successful case for the famous Italian tire manufacturer Pirelli, represented by HFG: we managed to win a case by invalidating a Chinese Trademark which has been registered over 5 years.

One quick raid on IP in Asia to tell what happens to trademark law in South Korea, and we land to the last article, which has been also published on WTR and gives an explanation to a question often asked and never answered before: why does CNIPA not suspend trademark procedures in cases of pending prejudicial procedure?

Hot Summer, hot articles, new GossIP. Enjoy the reading, and remember that we are open for holidays! While you relax, we take care of your IP rights.

IP CHINA

Chanel N.5: bottle shape is protected, packaging no



Chanel's N° 5 iconic eau de perfume was released in 1921 and has become quickly synonymous with sophistication and luxury. Since then, it has suffered many attempts of imitation and today we will go through one of the last of these attempts, N° 9 Flower of Story.

Presumably the inspiration for Chinese fragrance producer Yiwu Story of Love Cosmetics Co., Ltd. (hereinafter "Defendant"), who's N°9 perfume looked surprisingly similar in both its packaging and branding.


In 2019, Chanel filed a lawsuit against Yiwu Story of Love Cosmetics Co., Ltd. (hereinafter "Defendant") in front of the Shaanxi Intermediate People's Court citing unfair competition under Art. 6 of PRC AUCL, claiming Defendant's perfume being similar to Chanel's iconic fragrance was enough to cause consumers' confusion.


In 2020, Shaanxi intermediate people's court ruled that the trademark design of the two perfumes had obvious similarities, so that consumers could mistakenly connect Defendant's perfume with Chanel. Therefore, the court decided that Defendant shall immediately stop selling N°9 perfume and pay Chanel RMB 600 thousand for compensation.


The court explained that:

"The letters on the outer box of the infringing goods are not consistent with Chanel No. 5 perfume, but their color scheme and black lines outline are at the same position, the position of the text markings, the size of the text ratio is highly consistent, and the letters are less visually distinct for domestic consumers who are native speakers of Chinese characters, and the box of Chanel No. 5 perfume constitutes a close resemblance; in addition, it is sold together with the perfume bottle contained in the box, which is more likely to cause the relevant public to misidentify."

In 2021, the Defendant appealed to the Shanxi Province High People's Court. Arguments as below:

 Consumers used the trademark "N°5" and "CHANEL" used on the perfume packaging to distinguish source of products, instead of perfume bottle or its design itself.

The perfume bottle of CHANEL is not distinctive.  The Defendant provided evidence on the design of similar outer packaging box with black outlines and white based color, trying to prove CHANEL's outer package is not distinctive.

 The relevant public will not be misled due to the differences on the price of products and the wordings used on the package.

Interestingly, the 2nd instance court supported the Defendant's argument on the non-distinctiveness of the outer packaging. On the one hand, the main identifying part of the packaging and decoration is the black frame on a white background and the arrangement of the text content on it.

Continue reading



Chanel N°5

Flower of Story N°9

The 1st instance court found that the evidence provided by CHANEL proved that the CHANEL No. 5 perfume has acquired certain influence in Chinese market, and both the product bottle and outer packaging box are distinctive in their designs. Also, the product bottle and packaging boxes of the Defendant are very similar to the CHANEL No. 5 perfume.

According to the evidence provided by the Defendant, the outer packaging boxes of Gucci, Luthan's and other brands of perfume are rectangular cartons, and the decoration on the boxes also adopts the design of a black frame on a white background, with the black lines outlined in the same position, indicating that the design of the black frame on a white background is a common decoration for the outer packaging of perfume.

On the other hand, the evidence provided by CHANEL mostly focused on the perfume bottle instead of the outer package. Though CHANEL provided a photo proving the outer package was displayed in New York Museum of Modern Art in 1959, such evidence only proved the outer package has certain level of artistic in 1959 and therefore cannot support CHANEL's claim on Art. 6 protection.

In the meantime, the 2nd Instance Court upheld 1st instance court decision on the protection for bottle design. The court subsequently reasoned that:

“Though the packaging and decoration is the inner packaging and decoration of Chanel perfume, but based on the special nature of perfume, and its publicity and sales, the promotion will generally accompanied by the promotion of perfume bottle, and the sales will also display the perfume bottle in the booth, the consumer's first impression of a perfume are from the perfume bottle, it can be determined that the inner packaging and decoration has had a certain influence and protectable under Art. 6”.

Eventually, the court ruled that there are no visual differences on the bottle design between both parties' product, and therefore the identity is enough for relevant public to be misled on the source of goods, and also mistakenly believed there's certain connection between the parties. Though Defendant argued on the price differences, the court determined it is not a standard on whether there's confusion since the confusion already happened prior to the purchase.

TRADE DRESS CLAIM

ART. 6.1 ANTI-UNFAIR COMPETITION LAW (China)

Chanel SARL vs. Yiwu Story of Love Cosmetics Co., Ltd.
Shanxi Province High People's Court (2022)

FIRST INSTANCE

SECOND INSTANCE



The court subsequently reasoned that:

“Especially for the perfume as a luxury product, the bottle containing perfume itself is a commercial mark to distinguish the source of goods, some copycat products try to attract customers by deliberately imitating the pattern of luxury packaging, but its production costs are low and with high profits, there is a disturbance of the market order, and also damage to the image of large brands together with other hazards, such behavior should be regulated”.

Laura Batzella and Fredrick Xie
HFG Law & Intellectual Property

IP ASIA

Trademark squabble: Twitter wins in Singapore



Twitter is to date one of the most popular social media platforms, widely used worldwide, from the President of the United States to the Pope in Italy. And as every giant worth of respect, Twitter constantly keeps an eye on whoever can attempt to its iconic white-blue-background bird trying to prevent others to replicate it. And this is what recently happened in Singapore.

Technology, a Singaporean technology startup, applied for a trademark registration in 2018. The start-up mark consisted of a flying bird, with an eye, pictured from its side. The Singaporean startup planned to use the trademark for a mobile application for online shopping and food delivery services.

Without any delay, the American social media platform opposed the said application citing the logo's similarity to its own well-known trademark.

From their side, VV Technology claimed that mobile app users are "digital natives" which would not be confused by the two similar bird trademarks.

On March 11th 2022, the Singaporean Trademark Office ruled in favor of the American giant. According to its decision, the trademark application shall be rejected.

On one hand, Twitter logo's reputation will reduce the likelihood that the public will be confused by the two marks because the world wide's reputation of Twitter will hardly be affected by a small startup company and therefore, the consumers won't likely to mistake them.

Nevertheless, the Office also report that it may still be possible to see the risk of misleading for the consumers since the two marks may make them believe that there is some kind of economic link between the two companies.

Consequently, the Singaporean Trademark Office rejected the startup application declaring the concept similarity between the marks, the application of the startup shall be rejected.



So, which are the requirements to be met for the opposition to be accepted?



On one side, the similarity between the specimens, which, as a matter of fact, plays a fundamental role when it comes to examine the substitution of a filed opposition.



Secondly the similarity between the goods and the services sold by the opponents.

As usual in many countries in the world, the ultimate parameter is the likelihood of confusion by the relevant public, as stated by the Art. 8 (2)

"A trade mark must not be registered if, because (b)it is similar to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier trade mark is protected, there exists a likelihood of confusion on the part of the public."

The decision raised not only few concerns by the IP experts. Notwithstanding the argument adopted by the Trademark Office seems in line with the provision of the Law, it has been said that the concept of "likelihood of confusion", has been too widely interpreted, considering that the concept shall be interpreted as "belief of consumers that the services are emanate from the same source", which was not the actual case.

What is probably out of question, is that the case shows how in Singapore, startups and young entrepreneurs are still living under the low awareness of how effectively manage IP rights and avoid to be involved in Trademark disputes.

However, the clue of the IP concept is slowly making its way... so we believe that there is still a room to Fly high!

Silvia Capraro
HFG Law & Intellectual Property

IP China

Vaccination of a tiger: first NFT litigation in China



On April 22, 2022, Hangzhou Internet Court published a decision on the very first NFT intellectual-property infringement case in China.

A few months ago, we wrote about the famous Hermes Birkin trademark infringement case in the US, while the first NFT dispute in China is for copyright infringement. NFTs have recently exploded in popularity and therefore it shall not surprise that a dispute has reached the Court.

In this case, a platform that creates and distributes NFT (BigVerse) has used a cartoon picture created by an artist Mr. Ma Qianli to mint an NFT without getting an authorization from the copyright owner. The artwork concerned is a cartoon tiger receiving a vaccine shot. When the exclusive licensee of the copyright noticed the NFT, it sued the platform creating and distributing the NFT in court.

Summary of the case

Plaintiff	Shenzhen Qice Diechu Cultural
Defendant	Hangzhou Yuanyuzhou Technology
Case number	(2022) zhe 0129 min chu 1008
Cause of case	Copyright infringement
Date of decision	2022.04.22

Mr. Ma Qianli, the author of the artwork, has authorized Qice, a cultural company, to enjoy the exclusive copyright and the power to defend the “*I am not a chubby tiger*” series of artworks. Then, Qice found out that on the BigVerse platform that a user has cast and released an NFT called “*A Chubby Tiger Taking Vaccination*” and the NFT was sold for 899 CNY. The NFT digital work is identical to Mr. MA Qianli’s published artwork on Weibo, and even still bears the author’s Weibo watermark in the lower right corner.

BigVerse is a technology company which operates an NFT platform. During the minting process, it only requests the user to submit the picture of NFT artwork, name, introduction, description, tags etc., but it does not request any proof of IP ownership.

Qice sued BigVerse in Court and argued that as a professional NFT platform, BigVerse should bear the duty of prior examination of potential IP infringement on NFT digital works published on its platform and not only the obligation of “*notice-deletion*” afterwards.

This is because once the NFT digital work is minted and uploaded, in case of IP infringement, it is difficult to remove the infringing work as easily as traditional Internet information.

The defendant, BigVerse, has not only failed to fulfil its obligation of checking the copyright of the work, but also charged a certain percentage of transaction fees. Thus, Qice claims that the defendant’s behaviour constitutes the infringement of the right of dissemination via the information network and requests the defendant to stop infringement and compensation for damages of 100,000 yuan.

BigVerse replied that it should not be responsible for the copyright infringement because

- ✓ first the NFT is uploaded by users but not the platform;
- ✓ second as an NFT trading platform, it only bears the obligation of “*notice-delete*” and it has removed the NFT from the platform after receiving the notice;
- ✓ third, currently there is no explicit provision in Chinese law regarding NFT infringement and thus the platform has no obligation to disclose the specific blockchain, the address of the NFT nor the content of the intelligent contract used by the NFT;
- ✓ lastly, this case should apply the principle of exhaustion of rights.

Continue reading

After examination, the Court decided that the platform has indeed infringed the right of dissemination of the plaintiff, the counter responses should not be supported, and the defendant should immediately delete the “A Chubby Tiger Taking Vaccination” NFT work and compensate Qize for economic losses and reasonable expenses for RMB 4,000.

This case is important and innovative because the court has clarified the following points:


 **The act of trading NFT digital works is controlled by the right of dissemination via information network.**

The trading of NFT involves minting and selling. The minting process involves the act of uploading the artwork; and the selling involves the presentation of the NFT digital works on the trading platform, the act of a user of the NFT trading platform pays fee through a digital wallet, and then the buyer instantly becomes the owner of the NFT digital work publicly displayed on the platform.

Therefore, the mining and trading of NFT digital works involves the reproduction, sale and dissemination of the copyrights artwork via digital information networks.

What the buyer obtained after the NFT transaction is a property right; not a license to use a digital property, nor an authorization of using an intellectual property right.

NFT transaction meets the characteristics of dissemination of information networks because NFTs are provided in the public Internet environment through casting, the trading objects are unspecified public, and each transaction is automatically executed through smart contract, which can make NFT digital works available to the public at the selected time and place.

 **NFT digital work trading platforms should undertake a higher duty of censorship.**

The platform in dispute is specialized in providing NFT trading services, and the NFTs works traded are provided by registered users of the platform. Considering the special characteristics of NFTs, the trading mode, technical characteristics, platform control ability and profit model, the court defined the platform as a network service rather than a content provision platform.

Consequently, the disputed platform not only needs to fulfill the responsibilities of a normal internet platform, but also should establish a set of intellectual property review mechanism to do preliminary review on the copyright aspects of the NFT works, otherwise it should bear the corresponding legal responsibilities.

 **The infringement of NFT works can be stopped in an innovative way.**

Due to the characteristics of NFT, once it is minted or uploaded to the blockchain, it is immutable. This is to say that the NFT will always exist on the blockchain. However, the court confirmed that the infringement can be stopped because an NFT can be “burned” by removing it from the circulation and sending it to a black hole.

 **NFT digital work transactions should not apply the principle of “exhaustion of rights”.**

The court has confirmed that the principle of “*exhaustion of rights*” in copyright area is originally based on the inseparability of the work from its tangible carrier.

However, the Internet has changed distribution of works, and copies of works are available to the public without the need to transfer a tangible carrier. Thus, the NFT in dispute should not be controlled by the right of distribution, and thus the case lacks the premise and basis for the application of “*exhaustion of rights*”.

The case is very innovative, revolutionary not only because it is the first NFT copyright case, but also because the court has applied the “*should know*” in Article 1197 of China's Civil Code. This case has clarified that it is not enough for an NFT platform to fulfill the “*notice-delete*” obligation after the event, but should do pre-examination.

The NFT trading platform needs to ensure that the user casting NFTs is the copyright owner or authorized person of the original work. The case also shows that although the legal attributes of NFT are currently unclear in China, the NFT field is not an extra-legal place.

Summer Xia
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IP CHINA

Pirelli overcomes the 5 years limitation and wins



A PIRELLI & C.S.P.A. is a famous Italian tire manufacturer, whose main brands “PIRELLI” and its Chinese equivalence “倍耐力 (Bei Nai Li)” enjoy high reputation in the tire industry and other relevant areas and both marks have been identified as well-known trademarks on “tires” in multiple decisions in China.

With a recent invalidation decision against trademark registration No. 11866809 for 倍耐特 (Bei Nai Te) on “tire repairing composition; glue, non-stationary, non-household; industrial glue; industrial adhesive; polyurethane; tire adhesive; leather adhesive; adhesive for advertising; viscose” in class 1, the CNIPA fully supported the request of PIRELLI by directly granting the cross-class protection for PIRELLI’s Chinese well-known trademark “倍耐力 (Bei Nai Li)” and invalidated the aforementioned Disputed Trademark which has been registered over 5 years.

The Disputed Trademark	PIRELLI's Cited Trademark
倍耐特	倍耐力
Bei Nai Te	Bei Nai Li

The Disputed Trademark was filed on December 10, 2012 and registered on May 20, 2014. In the case, the invalidation was filed on May 7, 2020 when the Disputed Trademark has been already registered over 5 years. According to “5-year invalidation limitation rule”, the invalidation has to be filed based on well-known trademark claim and malicious registration.

5-year invalidation limitation rule

According to the relevant provisions of China's Trademark Law, after a trademark has been registered over 5 years, it can no longer be invalidated based on relative grounds (including similarity argument, violation of prior rights, etc.). However, “in the event of malicious registration, owners of well-known trademark may exempt from the aforesaid five-year limitation”.

After examination, the CNIPA decided:

- ▶ The evidence provided by the Applicant could prove that the cited trademark PIRELLI and 倍耐力 (Bei Nai Li) both have been well-known to the related consumers on tires before the filing date of Disputed Trademark.

▶ The Disputed Trademark 倍耐特 (Bei Nai Te) is similar to the cited trademark 倍耐力 (Bei Nai Li) in terms of word component and pronunciation. The Disputed Trademark constitutes the copy and imitation of the cited trademarks.

▶ The registration and use of the Disputed Trademark on “industrial adhesive; tire adhesive; etc.” may objectively mislead the public to believe that the goods bearing the Disputed Trademark originate from or have a specific connection with the Applicant, and improperly use the Applicant's reputation, which may damage the interests of the Applicant.

Furthermore, in addition to the Disputed Trademark in the case, the owner of Disputed Trademark also applied for the registration of other trademarks containing the same Chinese characters 倍耐特 (Bei Nai Te), and they did not give a reasonable explanation.

Taking the above factors into consideration, CNIPA believes that this case belongs to the situation referred in Article 45.1 of the Trademark Law, namely,

“in the event of malicious registration, owners of well-known trademark may exempt from the aforesaid five-year limitation” and invalidated the Disputed Trademark in accordance with Article 13.3 of Trademark Law, namely “where a mark is a copy, imitation, or translation of a third party's well-known trademark that has been registered in China in respect of different or other types of goods, which may mislead the public and damage the interests of the registrant of the well-known trademark, such mark shall not be registered and shall be prohibited from being used”.

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Case Analysis

As mentioned above, there is no time limit for using absolute grounds to invalidate the trademark. However, in addition to this, due to the existence of 5-year limitation rule, the invalidation has a certain restriction on time limit and grounds.

Having said that, given the special protection for well-known trademarks, the owner of a well-known trademark is able to break such 5-year limitation rule in certain cases. Namely, it shall follow below 3 elements:

1. the cited trademark constitutes the well-known trademark;
2. the disputed trademark is a “copy, imitation or translation” of a well-known trademark; and
3. the disputed trademark is “malicious registration”.

From the textual perspective, it seems that merely constituting “copy, imitation or translation” of a well-known trademark does not directly prove “malicious registration”. It required the Applicant to prove bad faith additionally and separately.

According to related judicial interpretations, when judging whether the Disputed Trademark is “malicious registration” against other’s well-known trademark, the following elements shall be taken into account to determine the subjective factors:

- ▶ the awareness of the cited mark;
- ▶ reasons for the applicants to apply for the disputed trademark;
- ▶ specific circumstances with respect to the use of the disputed trademark.

Especially, if the cited trademark has a high degree of awareness and the applicant of disputed trademark has no justifiable reasons, it may presume that the disputed trademark constitutes “malicious registration”.

In the captioned case, actually there are only 30 trademarks under the name of the applicant of the disputed trademark. The number is not so big nor is there any obvious trace of copying other brands, meaning it is not a typical trademark squatter.

Under such circumstances, the proof of its bad faith is mainly through the following aspects:

- ✓ **Reputation:** the Applicant's trademark “PIRELLI/倍耐力” has reached the level of being well-known to the relevant public and enjoyed high distinctiveness.
- ✓ **Similarity:** the disputed mark is only one Chinese character different from the cited mark (Te instead of Li), and the goods of the disputed mark “tire repairing composition; etc.” are closely related to “tire” of well-known trademark.

- ✓ **Competitors in the same industry:** “Shanghai Fushuo Auto Parts Co., Ltd.”, the owner of the disputed trademark, specializes in “auto parts”.

- ✓ **Repeated Applications:** the disputed trademark owner repeatedly copied the cited trademark 倍耐力 (Bei Nai Li) and applied for multiple identical trademarks of 倍耐特 (Bei Nai Te).

From the result of the examination, the CNIPA took into consideration the Applicant's reputation, the relevance of the goods and especially the fact that during the invalidation procedure the trademark Applicant did not give a reasonable explanation for registering multiple identical conflicted trademarks for “倍耐特 (Bei Nai Te)”. Thus CNIPA concluded that the Disputed Trademark is registered in bad faith.

Conclusion

“Bad Faith” is a complex word. In recent years, with the introduction of the new Trademark Law, China has been continuously improving the system and the means to combat malicious trademark registration. In various cases and situations, there are gradually clearer explanations and instructions on how to judge “Bad Faith”.

In this case, when the owner of a well-known trademark tries to invalidate a trademark that is registered over 5 years, the actual use of the disputed trademark, the application situation, the business address and the industry are all important factors that are considered to constitute the element of “malicious registration”. Furthermore, given the high distinctiveness of well-known trademark, malice may also be presumed in the absence of justifiable reasons by the disputed trademark owner.

This also provides inspiration to other rights holders that even if a trademark has been registered for more than 5 years and cannot be invalidated through general relative grounds, the owner of a well-known trademark is encouraged to actively try and not to be afraid of the requirement of proof of “malicious registration”. It indeed has the opportunity to invalidate the dispute trademark as long as it is justified.

In addition, the successful invalidation against 倍耐特 (Bei Nai Te) also depends on the PIRELLI’s long-term active defense of its rights. The completion or attainment of a well-known trademark recognition is not an end. For the sake of protecting their trademark, owners of well-known trademarks should take more proactive actions to prevent the trademark from being diluted.

HFG represented Pirelli in the case.

Ariel Huang
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IP ASIA

South Korea: Amendments to Trademark Law



From April 20, 2022 several amendments to the Korean Patent Act, Trademark Act, and Design Protection Act have taken effect. The main goal behind this legislative reform is to improve the IPR laws and make it more accessible to the applicant which often incurred in formality mistakes in detriment of their IP Rights.

The Covid19 outbreaks happened around the world in recent two years definitely turned the tables and gave the chance to introduce some remarkable changes. As an example, from the beginning of the outbreak, not rarely international companies failed to meet the deadline requirements, due to a sudden quarantine or being affected by the virus and having the pointed deadline expired.

The amendments to the Trademark Law are intended to minorize the problem and can be summarized as follows:

Extension of Trial Request Period

When a preliminary rejection is issued to an application for failing to meet the grant requirements, the Korean Trademark Law just gives 30 days to file the appeal.

It has been noticed that such short time period used to push attorneys to file “*by default*” the appeals, without any deep analysis on the chance of success of possible appeal or other different (and more successful solutions).

Under the amendments to the law, the deadline has been extended from 30 days to three months.

Petition for Restoration of Trademarks

The grounds to restore trademark rights that have been extinguished due to invalidity of trademark procedures and non-payment of registration have been relaxed. Under the amended law, the trademark owner can now apply for restoration for “*justifiable reasons*”. This has to be intended as emergency situations where the applicant cannot undertake trademark procedures due to hospitalization or COVID-19.

Priority claims in divided applications.

Another remarkable change to the IPR law is the Priority claims in divided applications. As consequences of the amendment, when dividing applications with a priority claim, the date of priority of the resulting applications will be automatically recognized. However, this rule only applies to domestic applications.

Furthermore, we mention the ex-officio reexamination. If an examiner identifies obvious grounds to refuse an application for which registration is granted before its trademark right is established, the decision to register may be cancelled and the application reexamined.

In addition to the amendments already mentioned, there are additional amendments to the Trademark Act that will take effect February 4, 2023. These include:

- ▶ **Partial Refusal to register.** If the refusal to register is limited to certain goods or services only, then the application will be granted as to the remaining goods or services.
- ▶ **Reexamination.** In limited circumstances, a reexamination will be allowed after a registration rejection. This is where the reasons for rejection can be readily overcome.

From the reading of the amended IPR Laws, it's clear the favor towards the applicant, strengthening the protection of the IP rights of the applicants especially but not only the international companies, clearly showing that Korea is increasing the value of the Intellectual property.

Silvia Capraro
HFG Law & Intellectual Property

IP CHINA

Trademark suspension for pending prejudicial procedure



China's Trademark Law provides no guidance for the suspension or coordination of dependent cases, although there are provisions in the rules of certain procedures. Fabio Giacobello of HFG shines a light onto this murky area and provides actionable advice.

- ✓ While there are no formal provisions set out in the Trademark Law – probably in order to keep the system swift and simple – suspensions are occasionally issued
- ✓ However, even then such suspensions are not officially declared with a formal (even if provisional) decision
- ✓ Therefore trademark practitioners in China must become adept at interpreting the CNIPA's moves and should consider carrying out thorough searches before filing an application in order to spot and attack prior marks in advance

It sometimes feels that I am continually asked one question: why does CNIPA not suspend trademark procedures in cases of pending prejudicial procedure?

The conundrum can be illustrated with an example: a trademark application is filed, and then it is preliminarily rejected because of a prior similar mark; the applicant then files a non-use cancellation against the cited mark and an appeal against the preliminary refusal.

In this scenario one would expect the CNIPA to rule on the appeal only after the non-use cancellation has been decided. Yet in actuality, it often hears the appeal before the non-use cancellation.

This begs the questions: why is the appeal not suspended while the prejudicial non-use is pending? Does such a suspension exist in the Chinese trademark system? Neither the Trademark Law and its implementing regulations nor any other lower-level regulations have any general provisions for the suspension and/or coordination of dependent cases.

Nevertheless, such suspensions are not totally unknown and do take place in the following procedures:

- ▶ trademark examination;
- ▶ invalidation of a registered trademark;
- ▶ appeal against a preliminary refusal;
- ▶ appeal against an opposition decision; and
- ▶ trademark infringement.

In all of these procedures there are rules that explicitly mention (or implicitly make reference to) the suspension.

Two points have been relatively certain until now.

First, that suspensions exist in the Chinese trademark system but appear to be infrequently and/or insufficiently used.

Second, the provisions that regulate suspensions are both scarce and fragmentary.

In order to explain what is (probably) going on, it is helpful to take a step back. Until 2013 and 2014, when the 2001 version of the Trademark Law was still in force, the Chinese Trademark Office was much slower at processing trademark procedures, despite the fact that there were far fewer annual trademark filings than there are today.

In the years between 2006 and 2010 it took around 30 months to implement a trademark examination, while an appeal against preliminary refusal lasted one or even two years. In such an environment it was normal to coordinate pending prejudicial procedures.

At that time, one of the biggest complaints against the trademark system was the length of the procedures and indeed, in a very welcome move, the Trademark Law 2013 introduced time limits.

The acceleration of trademark procedures was (and still is) seen as a crucial element of a modern and efficient trademark system.

Since the 2013 version of the Trademark Law came into force, it has been the daily concern and the ultimate target of the Trademark Office to accelerate examination times. The gap between trademark procedure times in China and the United States and Europe had to be closed, and now the current average examination time at the CNIPA is just over four months, although often under three months.

Between 2014 and 2020, the CNIPA accelerated examination timeframes for trademark procedures and dramatically reduced fees from RMB 1,000 (approximately 160USD) to Rmb 500 (approximately 80USD) and then to Rmb 300 (approximately 50USD). These cuts – together with other popular policy changes – have helped to push the the popularisation and nationalisation of intellectual property in China, which had previously been seen as an imposition from foreign countries.

Today intellectual property is a key national interest at the centre of the political agenda. Developing innovation and brands (and therefore IP protection tools) has been a significant target in recent years and will probably remain so for the foreseeable future.

All this is consequential and relevant because it is largely behind the current sacrifice of the suspension of trademark procedures.

Having prejudicial pending cases decided before their dependent cases would slow down the system and require another level of managerial complexity. It appears that rationalisation and dependency among cases have thus been abandoned for speed.

Further, the reduction of fees has necessitated a simplification of how procedures are managed. This is a problem because suspension and dependency are complex to handle, especially with the 70% budget cut. Evidence of this can be found in the iconic Article 37 of the 2019 version of the Trademark Law, which states that:

“Applications for trademark registration and for review shall be examined without delay.”

Turning to the details and bibliographic data, while these might at first appear dull, they hide pearls of knowledge. Although there is no substantial part of the Trademark Law devoted to the suspension of administrative trademark procedures, this is mentioned in several of the law’s provisions and occasionally appears in practice – even though it can be difficult to identify the exact underlying provision.

Trademark applications

The Trademark Law and implementing regulations do not dedicate a single line to the possibility of suspending a trademark examination. However, (at least from Article 11.5 of the Implementing Regulations to the Trademark Law) they do imply that it can happen.

Article 11.5 provides that:

“The following periods of time shall not be counted in the time limit for the examination or the trial of trademark matters: (5) The time of waiting for the results of another case involving prior rights upon request of the applicant in the process of examination or trial.”

Very occasionally, agents representing trademark applicants do receive unsolicited notices from the CNIPA asking whether the applicant wishes to suspend the examination. The background to such notices is usually that the CNIPA intends to reject the application on the basis of a prior right, but because the prior right is being challenged by a procedure, the applicant is invited ex officio to decide whether to request a suspension of the examination or proceed with it and face a possible rejection.

If the applicant wishes to proceed, it needs to submit a written request for a stay of the examination procedure. The legal ground for such notices is Article 11.5 of the Implementing Regulation to the Trademark Law.

Appeal against refusal

Article 11.5 also refers to appeals against refusal. Article 31 of the Trademark Trial and Appeal Rules provides that:

“The Board may decide to suspend a trademark trial or appeal proceeding if it depends on the results of a prior right case under paragraph 4 of Article 35 or paragraph 3 of Article 45 of the Trademark Law or subparagraph (5) of Article 11 of the Implementation Regulation.”

In the Trademark Review and Adjudication Board's Legal Affairs Newsletter General Number 72 (June 2018), it was reported that:

Trademark refusal review cases will not be suspended in principle except for the following cases:

- a** where the cited trademark has been in non-use revocation proceedings or invalidation proceedings for three consecutive years before the application for registration of the trademark;
- b** where the cited trademark is in opposition
- c** the cited trademark is in the change, renewal or transfer procedure.

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According to the Interpretation on Trademark Registration and Facilitation Reform Policies (4) published by the CNIPA in April 2018:

The current practice of suspending the trial of appeal against preliminary refusal case: firstly, the cited trademark has not yet been approved for registration, and is pending in the process of registration review, appeal against preliminary refusal, or opposition; secondly, the cited trademark has been approved for registration but is pending in invalidation, non-use cancellation (including cancellation appeal) and other procedures. If the start time of aforesaid invalidation and/or cancellation action is earlier than the filing date of the trademark application, it will be suspended in consideration of the active exercise of the rights by the trademark applicant. Thirdly, if the cited trademark is in the process of change recordation, trademark assignment and/or renewal.

Of course, the above three suspension situations also require the examiner to consider the reasonableness of each case. For example, in the case of multiple quotes, if the examiner believes that the trial results of one or more of the cited trademarks have no substantial impact on the case, the trial will not be suspended.

Opposition appeals

It may be clearer to think of opposition appeals as appeals against disapproval of registration. Article 35.4 of the Trademark Law provides that:

Where, in a review conducted according to the preceding paragraph, the Trademark Appeal Board must determine the involved prior rights based on the results of another case being tried by a people's court or handled by an administrative agency, it may suspend the review. After the cause of suspension is eliminated, the review process shall be resumed.

This article applies to the appeals against disapproval of registration, but it does not mean that the opposition trial will not be suspended if the prior rights' status is unstable in the opposition procedure. The applicant is still able to request suspension in an opposition procedure, but whether such a request will be granted depends on the examiner's subjective judgement.

Second, the premise of application for this article requires that the prior right must affect the trial of the case and be in an unstable state. In other words, if the appeal can be directly decided on absolute grounds or the prior rights are cited in other procedures, but the result does not affect the trial of the case or the trial is based solely on other prior rights that are in a stable state, the CNIPA can also make the decision directly without suspension.

Third, the law stipulates that the CNIPA “may” suspend the review, showing that it has the power to decide whether to suspend the review or not.

Invalidation

Article 45.3 of the Trademark Law states that:

Where, in reviewing a petition for declaration of invalidation of a registered trademark under the preceding paragraph, the Trademark Appeal Board must determine the involved prior rights based on the results of another case being tried by a people's court or handled by an administrative agency, it may suspend the review process. After the cause of suspension is eliminated, the review process shall be resumed.

The premise of this article's application is that the prior right must affect the trial of the case and be in an unstable state. In other words, if the invalidation case can be directly decided on absolute grounds or the prior rights are cited in other procedures but the result does not affect the trial of the case or the trial is based solely on other prior rights that are in a stable state, (as is the case with opposition appeals), the CNIPA can also make the decision directly without suspension.

Again, the law stipulates that the CNIPA “may” suspend the review.

Trademark infringement

Article 62.2 of the Trademark Law states that:

During the process of investigating and handling a trademark infringement case, in case that any dispute arises with respect to the trademark ownership or the right owner files a lawsuit regarding such infringement before the People's Court, the administrative department for industry and commerce may suspend the aforesaid process. As the cause for suspension is eliminated, the process shall be restored or closed.

Key takeaways

Put simply:

- ✓ the suspension exists but it is rarely used – probably because the rationality of having prejudicial pending cases decided before the dependent cases has been sacrificed for speed and simplification;
- ✓ the rules under which the CNIPA grants such suspensions are fragmentary; and
- ✓ any suspension that is issued is not officially declared with a formal (even if provisional) decision.

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In several instances dependent case has been decided soon after a case has been decided. We infer from this that the requested suspension was silently granted. When, on the contrary, a dependent case is decided while the prejudicial case is still pending, it appears that a suspension has not been granted. Therefore, the burden of intuition and publicity falls on attorneys who need to be able to explain that suspension – or the Chinese version of it – has in fact occurred.

Given the above considerations to a question that is being posed by clients, we would suggest that rights holders should accept a higher level of complexity when applying to register trademarks in China due to the following:

- ✓ the Chinese register contains around 30 million trademarks;
- ✓ the high likelihood of rejection of a newly filed trademark; and
- ✓ it is difficult to suspend an appeal filed against the preliminary refusal while the obstacles are removed with cancellations.

In practice, it is better to perform an in-depth search before filing an application in order to spot and attack prior marks in advance, and initiate non-use cancellation/invalidation so as to enhance the benefits of having a suspension granted.

In addition, rights holders should consider refiling the original application while the appeal is pending, since suspension might not be granted and the new trademark could be a good way of avoiding judicial administrations above the appeal phase at the CNIPA.

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*This article was first published as a long read on WTR, World Trademark Review, on May 5th, 2022

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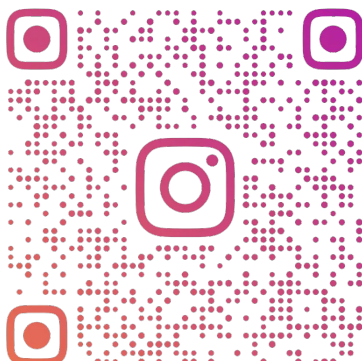
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