

Major trademark policy changes in China from 2021 to 2023

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Over the past two years, China has been reforming and optimising its judicial and administrative systems for trademarks. As part of these reforms, the first draft of an amendment to the Chinese Trademark Law, proposed by the China National Intellectual Property Administration (CNIPA), was unveiled at the beginning of 2023. These significant developments were driven by some landmark cases.

Substantive law

Strengthening the protection of trademark rights, prohibiting abuses of rights (and clarifying the boundaries of fair use), cracking down on malicious trademarks, and enhancing administrative supervision and guidance are highlights of recent developments in substantive law.

Strengthening the protection of trademark rights

The Judicial Interpretation of punitive damages issued by the Supreme People's Court (SPC) in March 2021 explained in detail when and how punitive damages can be applied in civil cases. The Interpretation enables trademark holders to be sufficiently compensated, while deterring the potential infringers through a more imminent threat of punishment under more specified situations. *Wyeth v Guangzhou Wyeth Baby Maternal and Infant Products Co* ((2021) Zhe Min Zhong No. 294) – one of the SPC's top 10 IP cases in Chinese courts for 2021 – was the first such case; compensation of 30 million yuan was granted due to the defendant's malice and the serious circumstances surrounding the infringement.

Abuse of rights

For rights holders that abused their rights, however, clearer signals were subject to a backlash. In its Judicial Reply from June

2021, the SPC confirmed that, if the plaintiff's lawsuit is found to constitute an abuse of rights, it should compensate the defendant for its attorney fees as well as its transportation and accommodation expenses upon the request of the latter. The CNIPA's guidance, issued in January 2023, reiterated that trademark owners should increase their awareness of potential abuse of rights issues when their trademarks contain geographic names. In *Shanghai Wancuitang Catering Management v Wenjiang Wu'a'po Green Peppercorn Fish Hotpot Restaurant* ((2021) Chuan Zhi Min Zhong No. 2,152) – one of the SPC's top 10 IP cases in Chinese courts for 2022 – the court held that the owner of the trademark '青花椒' (green peppercorn) for catering services in Class 43 abused its rights against the defendant's fair use of '青花椒鱼火锅' (green peppercorn fish hotpot).

Malicious trademark filings

The CNIPA has been very active and has achieved fruitful results in combating trademarks filed in bad faith. Two sets of rules from the CNIPA set forth in March 2021 and March 2022 concerning cracking down on bad-faith trademark filings have substantively contained such conduct. It is also interesting to note that, after the new requirements for re-filing of trademark agencies were issued, the CNIPA announced in April 2023 that only 16,921 trademark agencies and law firms survived the first re-filing round compared to over 60,000 in 2021. At the same time, success rates for opposition, invalidation and non-use cancellation cases have conspicuously increased in recent years.

Administrative supervision and guidance

Last but not least, the CNIPA has issued a series of administrative regulations and rules to ensure that the registration and use of trademarks comply with the law, including:

- the Guidelines on Trademark Examination and Adjudication in November 2021 on trademark prosecution matters;
- the Criteria for Determination of General Trademark Violations in December 2021 on types of trademark offences other than trademark infringement, aiming to strengthen the management of trademark use and unify administrative enforcement standards; and
- the Guidance on Signs Prohibited from Use as Trademarks in January 2023 on various specific scenarios in which trademarks are banned from use.

Procedural law

The major changes in procedural law focused on improving efficiency and clarifying the jurisdiction matter in trademark cases. The SPC published an opinion in May 2021 on administrative proceedings, promoting the pre-litigation mediation mechanism and a simplified or summary procedure.

In September 2021, the SPC decided to implement some measures to reform trial functions for courts of different levels, under which the Beijing High People's Court (taking over from the SPC) began to examine retrial requests for the overwhelming majority of administrative trademark cases against CNIPA decisions. Under this new mechanism, the Beijing court became the

forum for most of its own second-instance cases.

The SPC also clarified what types of cases can come under the jurisdiction of grassroots courts in its provisions in April 2022.

Outlook

In 2021, the number of trademark filings in China reached a historic peak of 9.45 million. This number started to decrease in 2022 and is expected to fall further in 2023, which could be partially related to the stringent regulation of bad-faith trademark filings and the more intensive application of absolute grounds for refusal. Trademark practitioners are facing more refusals based on descriptive and deceptive clauses. These issues may call into question whether the SPC should retry more cases directly, as it used to.

Undoubtedly, the use requirement both before and after a trademark is registered is increasingly being emphasised. In the CNIPA's proposed amendment to the Trademark Law, the trademark owner should commit to future use the mark before filing and submit a use report every five years following its registration – an even tougher requirement than that found in US law. In addition, the proposed amendment would prohibit the repetitive filing of an identical trademark. However, how burdensome the use report would be and the scope of 'identical trademarks' in practice remain uncertain.

Whether and how trademark squatting is actionable in a civil case is still not quite clear. In *Emerson Electric Company v Xiamen Water Angels Drinking Water Equipment* ((2021) Min Min Zhong No. 1,129), the court held that trademark squatting without trademark infringement activities could constitute unfair competition because many precedents in administrative cases have confirmed the existence of malice. The CNIPA's proposed amendment to the Trademark Law also touched on this issue in Article 83 by stating that the rights holder may sue the malicious applicant for compensation for its losses. However, the issues of whether malice in civil cases should – and whether it could alone – be relied on as a precedent in administrative cases, and whether a civil case claiming damages and an administrative case challenging the legitimacy of the trademark could be consolidated, are not yet settled.

Over the past two years, the acceptability of letters of consent before the CNIPA and the courts has declined significantly. Whether there will be a rebalance between the public interest and trademark owners' autonomy is to be seen.

Finally, the challenges in securing registration for non-traditional trademarks also requires ongoing observation. Regarding the lack of a predictable suspension procedure in the review stage of refusal cases (ie, when waiting for the status of the cited prior marks to be determined), the CNIPA has just published its interpretation on 13 June, which would hopefully make the suspension mechanism much clearer.