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Contributors: Catherine Zheng, Ian Liu, Winnie Yue



Deacons has been recognized by Asian-MENA Counsel as an "In-House Community Firm of the Year" in Hong Kong for Intellectual Property for 2011. The award is based on the votes and testimonials of a survey sent to 15,000 in-house counsel and other buyers of legal services across Asia.

Deacons also received the InterContinental Finance Magazine Award for the "Leading Intellectual Property & Trademarks Law Firm of the Year, Hong Kong, 2011". The awards are presented to firms that have had the greatest impact on the industry within their region, based on an independent poll of magazine readership, industry peers and the publication's own in-house panel.



Trademark Law Amendments - Latest Round

After nearly 2 years of discussion and consultation, the latest version of the Third Draft Amendment to the Chinese Trademark Law was released for public comments by the Chinese State Council's Legislative Affairs Office on 2 September 2011. China's Trademark Law was enacted in 1982 and has been amended twice in 1993 and 2001 (when China joined the WTO). The latest amendments are intended to modernise China's trademark practice and to take account of global trends. In particular, the draft is focused on simplifying the trade mark procedures, preventing abusive use of the opposition process and enhancing the penalties against trademark infringement.

However, the latest draft has rejected a number of amendments proposed in the earlier versions. The key proposals are:

Expansion of protection for non-traditional marks

Under the existing law, protection is only available for trademarks that are visually perceptible and colour marks that consist of combinations of colours. The draft proposes to extend protection to permit sound and single colour marks. The previous draft amendment had proposed allowing applications for smell and motion marks as well but this has been dropped from the draft.

e-filing

The draft proposes that the Chinese Trademark Office will begin accepting electronic trademark applications. In fact, the Trademark Office is already accepting electronic trademark applications from both local and foreign applicants. However, most applications from foreign applicants are rejected because the designated goods or services are not completely consistent with the terms appearing in the Chinese version of the International Classification Manual adopted by the Trademark Office. The latest proposal will, hopefully, be good news for foreign trademark owners who have found it difficult to use the existing system so far.

Multi-class applications

Under the existing law, separate applications must be filed if an applicant wishes registration in multiple international classes. In keeping with international trends, the draft law proposes to permit the filing of multi-class applications. It is hoped that this will result in a more streamlined procedure. However, the draft only gives the State Council the power to formulate rules relating to multi-class applications at a later stage, so there is no guarantee that this provision will be implemented soon.

Provision for arguments against proposed refusal

Under the current law, the Trademark Office is not obliged to notify the applicant before it rejects an application. Therefore, an applicant does not have an opportunity to remedy any deficiency in advance of the rejection. The applicant's only remedy is to file an application for review of the refusal with the Trademark Review and Adjudication Board. An appeal can take up to 1 year.

It is proposed to allow applicants to submit a response to the Examiner's intended refusal, based on deficiencies not related to the inherent distinctiveness or citations, within 30 days of receiving an "Examiner's Opinion". The procedure should save time and cost in cases where the grounds for refusal can be easily overcome by remedying the deficiency at an early stage.

Also, the deadline for filing a review of refusal will be extended from 15 days to 30 days which should be welcomed, particularly by foreign applicants.

Additional absolute grounds

The draft proposes the introduction of additional absolute grounds for refusal of an application where a trademark is:

- identical with, or similar to, names and logos of central government organizations;

- discriminatory toward any race;
- will easily mislead and confuse the public regarding the quality of the goods or place of origin.

Enhanced protection for foreign marks

One of the most serious problems for foreign trademark owners is the appropriation of their mark by pirates who file trademark applications before the legitimate owners have commenced use, or have made any significant use, of their trademark in China. It is currently very difficult to challenge such applications where the owner cannot show that it has extensively used the mark in the classes applied for, or provide sufficient evidence to establish prior use and reputation of its marks in China.

The draft amendment will enhance protection for such trademark owners as it proposes that the examiner may refuse registration on the basis of confusion with a mark that has prior use in China, if the applicant is found to have been familiar with a mark as a result of a prior business relationship, contract, geographic relation, or other relationship. This will apply to foreign prior marks *even* if they have not acquired a certain level of fame in China.

The draft also provides that very distinctive trademarks with a "certain reputation" shall be entitled to cross-class protection against imitation marks. Currently, only "well-known" trademarks enjoy broad, cross-class protection.

Increased Statutory Damages

The proposal is to double the present maximum statutory damages from RMB 500,000 to 1,000,000. There will be an aggravated administrative penalty for a party found infringing twice within a five-year period. However, the amount of the aggravated penalty is not set out in the draft. Trademark owners should also note that in order to claim compensation, they will need to produce evidence of use of their mark for the previous three years. The draft does not set out the extent of the use required.

Change to trade mark opposition and cancellation procedure

Under the current Law, oppositions are filed with the Trademark Office. It is not uncommon for it to take more than 10 years to complete the entire appeal process and an opposition can be an expensive and time-consuming procedure. In an effort to simplify the system, the draft amendment proposes that oppositions will now be filed directly with the Trademark Review and Adjudication Board. As TRAB examiners are usually more experienced than those at the Trademark Office, it is hoped that this will streamline the system, as well as improving the quality of the decisions.

Also, the law currently allows anyone to oppose the registration of a mark, or to apply for cancellation of a registered mark. This can result in frivolous applications that place an unnecessary burden on legitimate trademark owners. The draft amendment proposes to permit only those parties with prior rights or “interested parties” to file an opposition or to request the cancellation of a registration. However, although there is no definition of “interested party,” it is hoped that this limitation will have some effect in reducing the number of frivolous opposition and cancellation proceedings.

The latest draft appears to be a step back from the last version. The proposed changes to enhance protection for foreign marks seem more to be codifying the current practice of the Trademark Office and the TRAB rather than substantially addressing the concerns of the international community. The proposed changes will undoubtedly benefit those foreign trademark owners whose marks are arguably not so well-known, or famous foreign brand owners who still cannot meet the requirements for well-known mark status in China. However, the Draft is still insufficient to tackle effectively “trademark squatters” in China, which is the key problem facing many foreign brands.

Surge in Patent Enforcement Actions Following Changes to Measures for Administrative Enforcement of Patent Rights

Following our last report on changes to the Measures for Administrative Enforcement of Patent Rights (the “Measures”) which came into effect on 1 February 2011, we have started seeing the impact of the Measures on local Intellectual Property Offices (“IPOs”) and administrative enforcement proceedings in China.

The Measures expressly empower competent local IPOs at city and county levels to handle passing off of patent cases and mediation of patent infringement disputes. Since early 2011, the State Intellectual Property Office (“SIPO”) has arranged a number of training courses to help prepare the officers at the local IPOs to meet the new demands. The training generally covers knowledge essential for handling patent enforcement cases, such as the Patent Law and the Administrative Law, patent infringement analysis and determination, as well as appropriate remedies. The training also emphasises the practical aspects of enforcement and allows officers to learn from past patent enforcement actions and simulated case studies.



At the same time, local IPOs are investing the resources necessary to cope with the increasing workload of administrative enforcement of patent cases. According to a half yearly working report on patent enforcement issued by the Beijing City IPO (“the Report”), in the first half of 2011, the Beijing IPO accepted 51 patent enforcement cases. Amongst those cases, 45 cases are related to patent infringement disputes, accounting for a significant 87.5% increase in such disputes over the same period in the previous year. The data is also encouraging in that about a quarter of the infringement cases involve invention patents which are generally more difficult to deal with compared to utility models and designs. During the same period, the Beijing City IPO has completed 44 cases, among which 36 cases are related to patent infringement, accounting for a 112% increase over the same period in the previous year. Among the 36 infringement cases, correction orders were made for 13 cases, which account for more than one third of the handled cases.

Based on the statistics above, it is clear that the IPOs are handling and completing significantly more cases than before. Such a notable increase is probably the result of the increased efficiency and aggressiveness of the enforcement officers. In our experience, patent enforcement officers have not hesitated to deal with complex and difficult technology and infringement issues. At the same time, patentees are realising the benefits of administrative enforcement, such as its timeliness and relative cost efficiency, over traditional court litigation proceedings. Therefore, we are finding that more and more patentees are willing to take enforcement action via the administrative route.

The Measures set out a 4 month deadline for handling a case, the first time such a deadline has been set for patent enforcement cases. For this reason, IPOs have been extremely focused on the completion of cases. The Beijing IPO has also reported that, apart from the cases that

have been stayed pending the outcome of invalidation proceedings, it has completed all patent infringement cases within the prescribed time limit. This is an astonishing result.

As China adopts a bifurcated system for patent infringement and invalidation proceedings, it is essential to form a well-coordinated patent defence strategy early on in a potential patent enforcement action. Otherwise, once the patent enforcement proceeding is well underway, it may be difficult to obtain a stay of proceedings from the IPOs by filing an application for invalidation at the Patent Re-examination Board.

Another important trend observed since the Measures came into effect is that, with the assistance of SIPO, the local IPOs have established communication channels with the Patent Re-examination Board of the SIPO. The Report mentions that the Beijing IPO exchanges information with the Patent Re-examination Board so as to allow the IPO and the Board to coordinate their efforts in relation to infringement and invalidation proceedings. There is no doubt that cooperation between the IPOs and Patent Re-examination Board will facilitate both infringement and invalidation proceedings, thereby helping to remove the inefficiencies and delays caused by having two separate proceedings.

Whilst the Measures only came into effect in February this year, it can be seen that SIPO and the IPOs are taking advantage of the changes introduced by the Measures to make administrative enforcement a quick and effective procedure for enforcing patent rights. For patentees, besides traditional court litigation, administrative enforcement is a route worth serious consideration before taking enforcement action.

On the other hand, foreign companies with weak patent portfolios in China may find themselves, increasingly, on the receiving end of administrative enforcement actions.

Such companies should review their patent protection strategy to see what can be done to boost their portfolio to avoid such actions being filed against them.

Out and about...



Catherine Zheng and Rodney Goh attended the 83rd Pharmaceutical Trade Mark Group (PTMG) Conference in Prague in October where Catherine gave a presentation entitled "Building BRICs - the pharmaceutical industry in emerging markets - China". The seminar discussed the challenges of drug name registration in China, enforcement against counterfeit pharmaceutical products in China and parallel importation. Please let us know if you are interested in receiving further information on this topic.

Catherine also spoke on behalf of Deacons at the China Intellectual Property Practice Forum in Changsha in November. The Forum was co-hosted by the China Lawyers Association, the China Adjudication Theory Research Society and the China Intellectual Property Society. More than 300 IP lawyers and IP judges from the Supreme Court, the provincial High Courts and Municipal Intermediate Courts attended the Forum where the IP practice in China was the subject of heated discussion.

contacts

For further information, please contact the following partners in our Hong Kong Office :

Head of Intellectual Property, IP Litigation, Patents & Designs Group

Christopher Britton

chris.britton@deacons.com.hk

Telephone: +852 2825 9397

Head of China IP Group

Annie Tsoi

annie.tsoi@deacons.com.hk

Telephone: +852 2825 9255

Head of Commercial IP and Entertainment Groups

Charmaine Koo

charmaine.koo@deacons.com.hk

Telephone: +852 2825 9300

Whilst every effort has been made to ensure the accuracy of this publication, it is for general guidance only and should not be treated as a substitute for specific advice. If you would like advice on any of the issues raised, please speak to any of the contacts listed.

5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong

For further information please email us: ip@deacons.com or send by fax +852 8108 0313

or visit our website: www.deacons.com.hk