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Deploying IP Portfolio and Tackling Enforcement Matters in China: What the Latest Trends Are and Effective Tactics You Need to Know

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Sindy founded and is the co-director of China's first Fashion and Art Law Institute. She also serves as a co-chair of the Fashion Law Committee of the New York City Bar Association.

Education

- Fordham University School of Law LL.M. (2013)
- Wuhan University School of Law, Wuhan, China LL.M. (2012) Jurisprudence
- Johns Hopkins University School of Advanced International Studies (SAIS), Nanjing, China Graduate Certificate (2011) International Relations
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How concerned are you about intellectual property protection in China?

A. Very

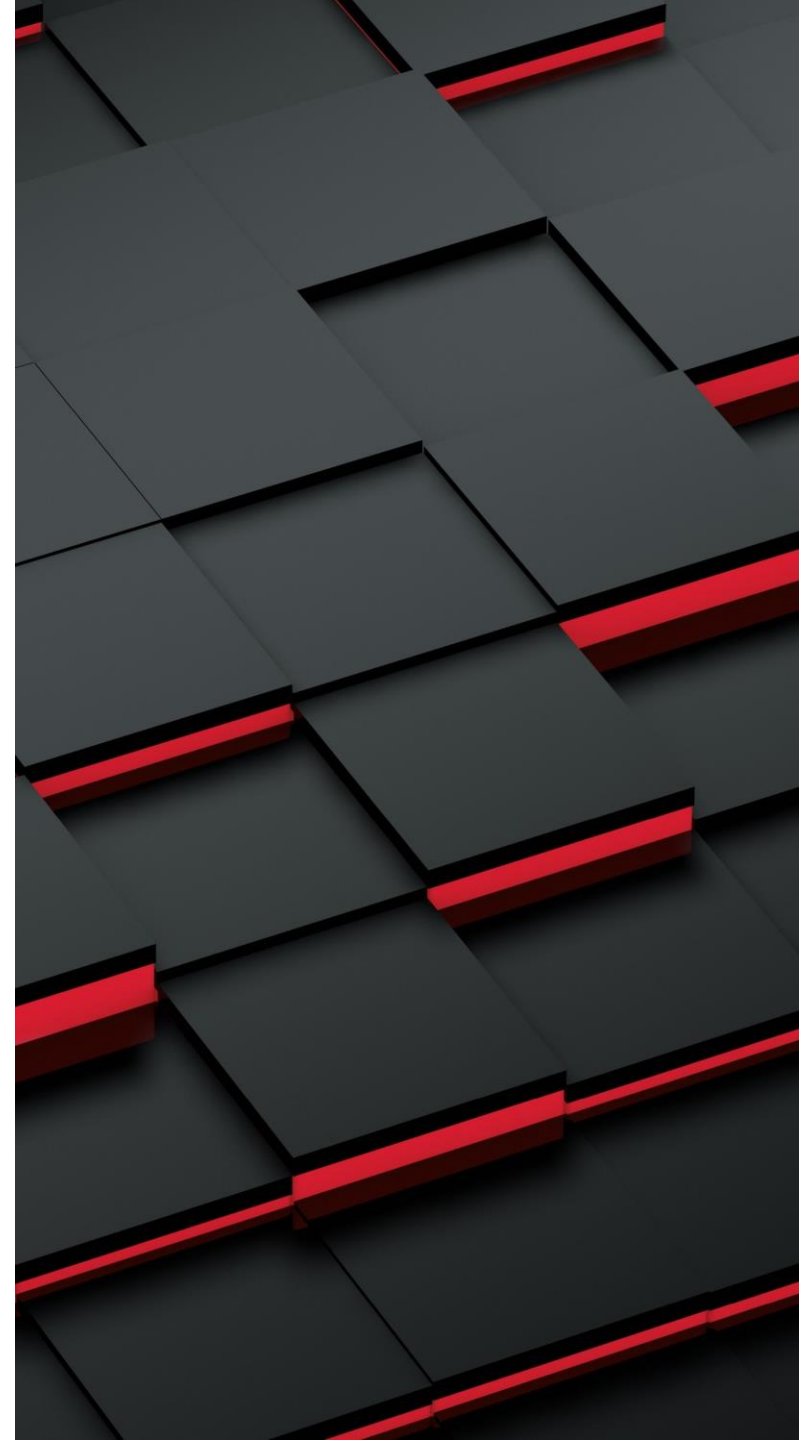
B. Somewhat

C. Not very

D. Not at all

Agenda

- Recent numbers and trends from CNIPA
- New Developments in China IP laws
- Effective Tactics for Trademark Prosecution/Disputes/Enforcement
- Takeaways

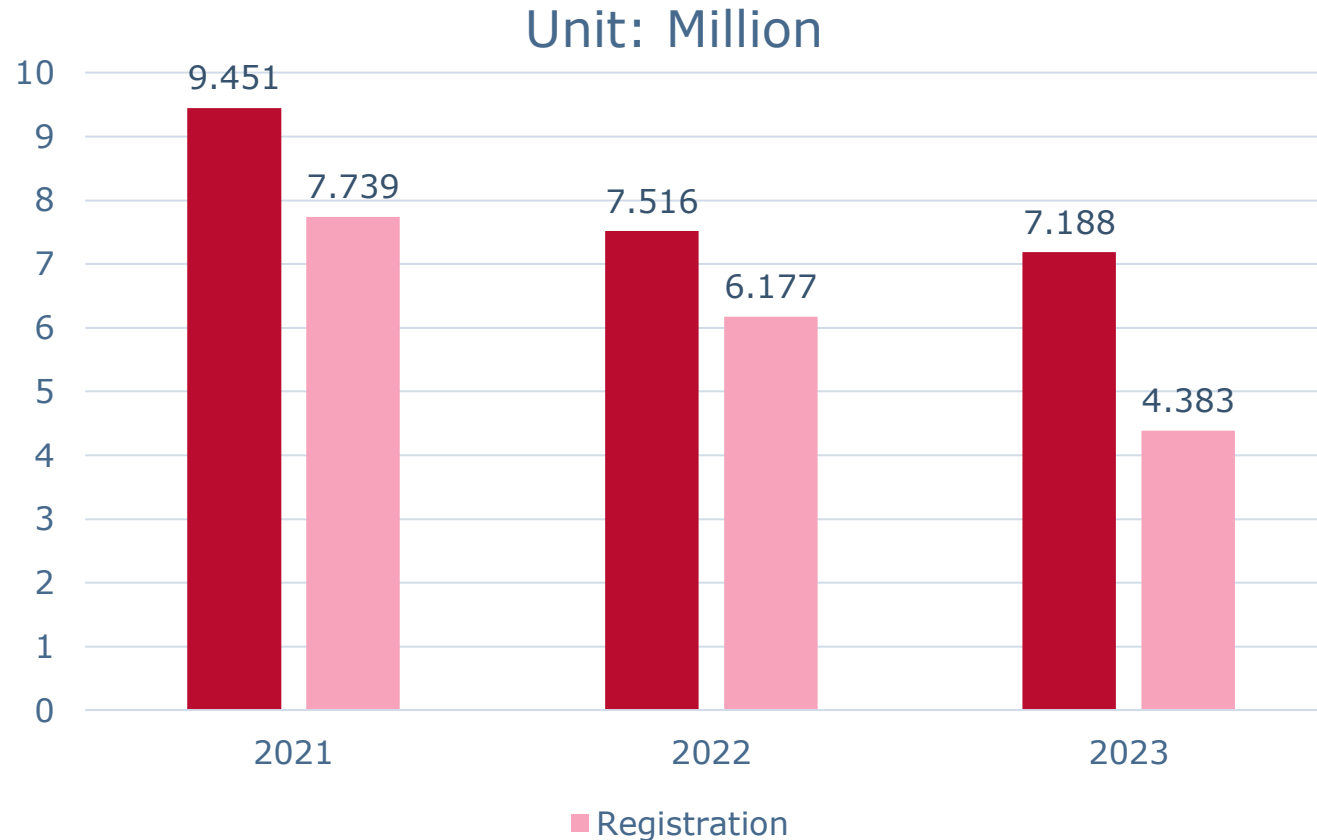




Recent numbers and trends from CNIPA



Recent Numbers and Trends from CNIPA



- The number of trademark applications and registrations in China has been dropping since 2021.
- Policy analysts attribute the drop to newer, more stringent regulations designed to deter bad faith filings and actors, the slowing economy, as well as crackdowns on trademark agencies.
- CNIPA appears to be taking steps to reduce the high volume of trademark filings by discouraging repeat filers and refusing more applications than before.

New Developments in China IP laws



New Developments

- **January 2023 – China issues draft amendments to the Trademark Law for consultations and comments [now on hold until 2024-2025].**
- Public comments done by February 2023. A huge controversy was raised.
- Expanded from 73 articles to 101 articles; 45 articles substantially revised
- Goals: safeguard the integrity of the trademark registration system in China; lessen the administrative burden on the CNIPA; protect brand owners from trademark pirates
- Proposed key changes: requirement to file a statement of use every five years after registration and a ban on repeated filings, a mechanism to compel the transfer of trademarks registered in bad faith to their rightful owners, etc.
- A significant impact on how brand owners manage and protect their trademark rights in China if implemented fully



New Developments

- June 2023 - CNIPA announces new rules allowing suspension of trademark cases in the appropriate circumstances (with rules given as to when suspension is applicable).
 - In recent years, the CNIPA's Review Board has refused to allow applicants to suspend appeals cases while co-pending cases (such as non-use cancellations) are adjudicated, resulting in the need for applicants to file new application after new application until the prior mark (or marks) are removed (which further clogs up the registry). This may help alleviate that problem.
- November 7, 2023 - The Apostille Convention took effect in China. This will save time and costs for companies and individuals, as foreign documents for use in China will no longer need to undergo multiple rounds of authentication by different authorities.



Trademark Prosecution



High-level Observations and Trends

- Shorter examination time
- More and more citations in refusals due to prior marks. Overcoming such refusals by arguing the lack of likelihood of confusion becomes increasingly challenging. This is partly attributed to the CNIPA's reluctance to accept consent letters.
- Increasing caution in filing applications in bulk
 - Spacing out or tiering filings
- Increasing refusals based on Article 4
 - *"Any bad faith trademark applications without intent to use shall be refused."*
- Increasing refusals based on Article 10
 - Consequence: prohibition of the use of the applied-for mark in China
 - Bottom line: if the proposed mark has an elevated risk of receiving an Art. 10 refusal, not filing may be better than filing so the mark can still be used in China.



Article 10 Refusal

Article 10: None of the following signs may be used as trademarks:

(1) Those identical with or similar to the State name, the national flag, emblem or anthem, the military flag, emblem or songs, or medals of the People's Republic of China; or those identical with the names or emblems of Central State organs, the names of the specific locations where the Central State organs are seated; or those identical with the names or designs of landmark buildings;

(2) Those identical with or similar to the State name, national flag, national emblem or military flag etc., of a foreign country, except with the consent of the government of that country;

(3) Those identical with or similar to the name, flag or emblem of an international inter-governmental organization, except with the consent of that organization or except where it is unlikely to mislead the public;

(4) Those identical with or similar to an official mark or inspection stamp that indicates control and guarantee, except where authorized;

(5) Those identical with or similar to the symbol or name of the Red Cross or the Red Crescent;

(6) Those having the nature of discrimination against any nationality;

(7) Those that are deceptive and likely to mislead the public in terms of the quality, place of production or other characteristics of the goods; and

(8) Those detrimental to socialist ethics or customs, or having other unwholesome influences.

No geographical names of administrative divisions at or above the county level or foreign geographical names known to the public may be used as trademarks, except where geographical names have other meanings or constitute part of a collective trademark or certification trademark. Registered trademarks in which geographical names are used shall remain valid.



Strategies and Tactics

- **Conduct Clearance Search:** Perform a thorough search to anticipate any prior similar marks.
- **Consult Legal Counsel:** Seek advice on distinctiveness and registrability issues, particularly regarding concerns outlined in Article 10.
- **Develop Prosecution Strategy:**
 - ✓ Determine if there's a logo version of the mark.
 - ✓ Plan feasible actions to address potential citations and clear the path for registration.
 - ✓ Assess the timing of registration and the risk of injunction if the mark is used before registration.
- **File for Comprehensive Subclass Coverage:** Apply for registration across full subclass coverage to establish broad protections and deter squatters effectively.



Trademark Disputes



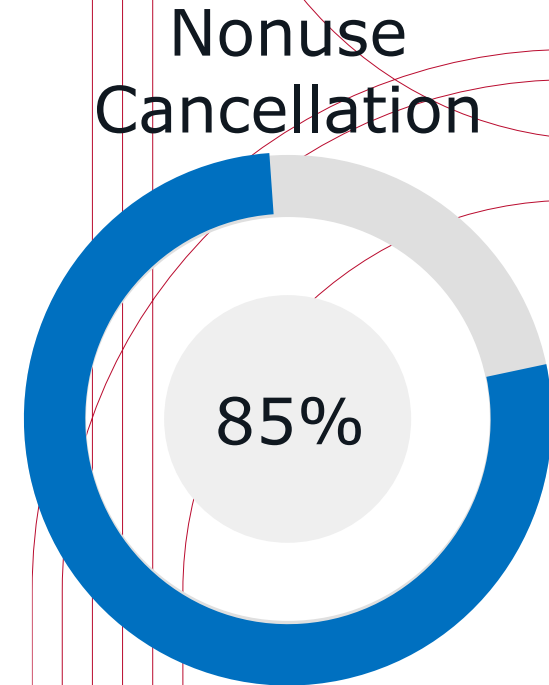
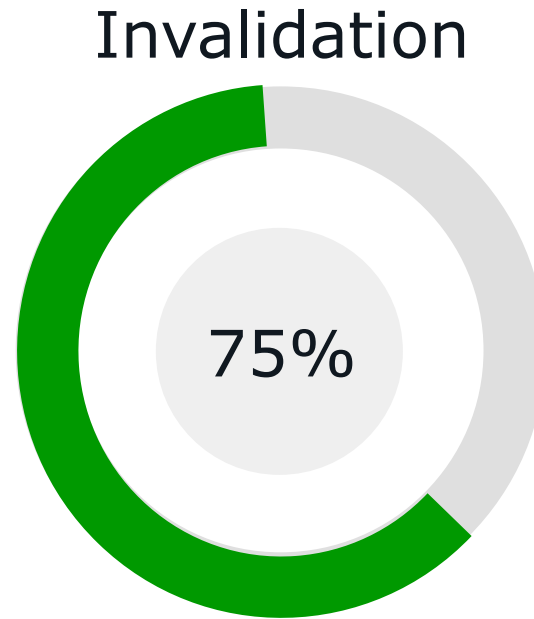
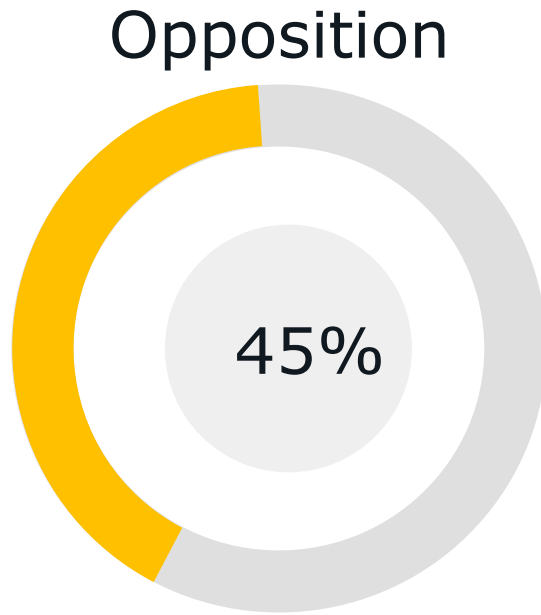
Opposition/Invalidation/Cancellation Examination Trends

- Filing Numbers

Action/Year	2021	2022	2023
Opposition	176,045	145,821	102,779
Invalidation	68,435	71,308	64,140
Nonuse Cancellation Appeal	16,994	16,005	19,465



Opposition/Invalidation/Cancellation Success rates (2022)



**The success rate of opposition proceedings in 2023 is 47.71%.*

Prevailing arguments/grounds in Opposition/Invalidation

- Lack of prior trademark rights is no longer fatal
- More bad-faith grounds available to be utilized and accepted:
 - ✓ **Article 4** – *Bad faith trademark applications without intent to use shall be refused.*
 - ✓ **Article 7** – *Good faith principle.*
 - ✓ **Article 10** – *Marks that are deceptive and likely to mislead the public in terms of the quality, place of production or other characteristics of the goods.*
 - ✓ **Article 15** – *Without authorization of the client, an agent or a representative shall not register its client's trademark in its own name.*
 - ✓ **Article 19** – *Trademark agency cannot accept the commitment if it is aware that the trademark to be registered by a client is in bad faith.*
 - ✓ **Articles 33 & 44** – *Objections to bad faith applications/registrations via opposition and invalidation actions.*

Prevailing arguments/grounds in Opposition/Invalidation

- Similar to prior rights (more types of prior rights have become recognized)
 - ✓ Copyright
 - ✓ Name right
 - ✓ Merchandising right (for example, in movie's title)
 - ✓ Image right (*Michael Jordan* case and *Usain Bolt* case)
- Inherently unregistrable grounds
- Similar to goods/services in adjacent classes or subclasses



New Developments with Non-Use Cancellations

In the past:

1. Very few Nonuse cancellation actions were filed against Western brands.
2. As long as the registrant of a disputed mark submits use evidence of any goods or services covered by the mark, the entire mark will be maintained by the CNIPA.
3. The examination standards adopted by the first level of the CNIPA are comparatively loose.
4. Decisions only state the outcome of the actions.

What's now:

1. More Nonuse cancellation actions were filed against Western brands.
2. More partial favorable nonuse cancellation decisions were issued.
3. CNIPA embraces a stricter examination standard in terms of valid use evidence.
4. Decisions provide a brief summary of the submitted use evidence.



Strategies and Tactics in Handling Non-Use Cancellation Proceedings

Offensive (cancelling other parties' marks)

- Conduct internet search is the first step.
- File the cancellations anonymously if possible to avoid retaliation
- File the cancellations where feasible (even if some use was found) if facing a key citation mark
- File cancellation appeals to view and possibly rebut the other party's use evidence

Defensive (defending your own registrations)

- Action can be filed three years after the registration date.
- Prepare use evidence to the following acceptable standards:
 - ✓ **Mark** - Identical or basically identical to the registered mark.
 - ✓ **Specification** - Consistent with the goods and services listed on the certificate. At least one item in one subclass.
 - ✓ **User** - Registrant or the authorized licensee(s).
 - ✓ **Dates** - Use must be carried out within the relevant time frame, namely three years prior to the filing date of the action.
 - ✓ **Location** - Within China. Use in Hong Kong, Macau, and Taiwan does not count.
- Check your portfolio regularly and consider re-filings to maintain priority and mitigate nonuse cancellation risks



Trademark Enforcement



Increasing enforcement concerns and difficulties for U.S. companies doing business in China

- Not the exact same mark, but look-alikes
- Worse, the look-alike marks are registered in China
- The real operator behind the infringing/counterfeiting activities is hard to identify
- Infringers adopting new methods and technologies to counter enforcement efforts
- High thresholds for law enforcement bureaus to investigate cases
- Costs and risks of enforcement often outweigh benefits to rights holders



Enforcement Strategies through Administrative Approaches

- Investigation and raid through local Market Supervision Bureaus (MSB) (formerly known as AIC) supervised by the State Administration for Market Regulation
- Investigation and raid through the Public Security Bureau (PSB)
- Registry Actions through CNIPA – Beijing IP Court – Beijing Higher Court – Supreme People’s Court
- Customs recordation through the General Administration of China Customs’ database



MSB Action v. PSB Action Strategies and Tactics

- Target using a mark that's identical or very similar to the true brand owner's mark (a very clear counterfeiting case)
- Quick and effective if the enforcement goal is to simply cease infringement (e.g., take off an infringing signboard)
- If seeking assistance from MSB for a government raid, the burden lies with the brand owners to prepare evidence of infringement, including, but not limited to, the target's address, current stock of infringing goods, trademark registration of the underlying mark, verification report, and formality documents
- Good tool for PR publicity, if needed
- Various ways to involve MSB (online report, in-agency visit)
- More cost-effective



MSB Action v. PSB Action Strategies and Tactics

- When it becomes challenging to identify the seller or manufacturer behind counterfeit listings using the brand's own resources, especially when the sales volume is significant, it indicates a prudent moment to engage local PSB authorities to lead the investigation.
- The investigative capabilities of the PSB are more powerful.
- The PSB's decision to pursue a particular case is significantly influenced by the prevailing policies during a specific period
- It can be a lot more costly and time-consuming for the PSB to track down the source of counterfeits.
- Engage seasoned local Chinese attorneys to collaborate closely with the PSB officers to ensure the case progresses accurately towards criminal prosecution.

The screenshot displays a WeChat store interface for 'Wing Air Overseas Specialty Store' (翼航海外专营店). The store has 8579 items and 664 followers, with a 5-star rating and a 'Customer Service Online' (客服在线) button. The main navigation includes 'Home' (首页), 'All Products' (全部商品), and 'Reviews' (评价). A filter bar shows 'Default' (默认), 'Sales' (销量), 'New' (上新), and 'Price' (价格). A banner highlights 'Priority display of new customer discount items' (优先展示新客立减商品).

The product listings are for Kirkland Minoxidil hair regrowth products. The top row shows two identical listings for 'Hair Regrowth Treatment' (止脱护发 激活毛囊) with a 5% gold concentration and 60ml*6 bottles. The price is listed as 143.4 after a discount, with 1301 items sold. The bottom row shows two identical listings for 'Hair Regrowth Treatment' (秀发重现 拯救毛囊) with a 5% gold concentration and 360ml*6 bottles. The price is listed as 145.4 after a discount, with 604 items sold. Both listings include a 'Hong Kong Direct Mail' (香港直邮) label and a 'U.S. Import' (美国进口) seal.

Enforcement Strategies through Judicial Approaches

- Public security cases investigated by the Public Security Bureau (PSB) may be transferred to the procuratorate for criminal prosecution.
- Pursue separate civil litigation for damages after criminal charges have been filed.
- Apply to the competent court for asset preservation to ensure successful collection.
- Assess your entire intellectual property rights (IPR) portfolio. Lack of trademark/copyright registration in China doesn't prevent right holders from filing civil lawsuits.
- Explore copyright and unfair competition claims, including those related to commodity decoration with significant influence (Art. 5.1 of the Unfair Competition Law).
- Trademark/copyright infringement lawsuits typically cost between USD \$50,000 and \$80,000 up to the judgment from the first instance in China.
- Venue selection can significantly impact the outcome of the lawsuit (province, judge, specialized IP court, etc.).



Online Enforcement Strategies and Tactics

- **Target Prioritization:** Assess the severity of infringement and potential impact to prioritize marketplaces and targets for enforcement actions.
- **Domain Enforcement:** Distribute takedown notices to all pertinent contacts, including the Chinese domain registrar and registrant.
- **Listing Takedowns:** Tailor takedown notices to reflect marketplace-specific IPR protection policies, terms and conditions, and guidelines, potentially yielding better results than relying solely on IP law clauses.
- **Utilize AI-driven Technologies:** Leverage advanced AI technologies to monitor marketplaces, identify infringing listings, and streamline enforcement processes.
- **Communication Approach:** Consider prioritizing phone communication over email when engaging with counterparts in China, where email usage is less prevalent compared to the U.S.

Takeaways



Key Takeaways

- **Proactive Trademark Registration:** Prioritize trademark registration, especially for your core brand, as China follows a strict first-to-file system, making brand theft both simple and legal.
- **Combatting Preemptive Registration:** Seek guidance from competent China IP experts if your brand has been preemptively registered by squatters, hindering your business activities. Combatting bad-faith applications is encouraged by CNIPA, with more feasible grounds available than anticipated.
- **Early Enforcement Planning:** Develop an enforcement strategy in advance, consider hiring experienced China IP experts to support comprehensive IP protection and enforcement.
- **Persistence in Counterfeit Combat:** Combatting counterfeiting in China requires persistence. Utilize investigative and enforcement tools to clear the market and tackle the root sources of counterfeiters, despite potential time-consuming efforts.
- **Trust in Partnerships:** Recognize the significance of cultural implications and relationships in Chinese jurisdiction. Trust and collaborate with partners and legal counsel experienced in handling China matters, anticipating and navigating potential differences effectively.

Questions?

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