



The Trademark Prosecution Review

2024

**China: What Rights Holders Need to
Know About Trademark Prosecution**

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The first edition of the *WTR Trademark Prosecution Review* takes a wide-ranging view of best strategies for securing trademarks in the key regions of the Americas, the Asia-Pacific, and Europe, the Middle East and Africa. The review combines on-the-ground knowledge and analytic insight to offer an unparalleled deep dive into the prosecution landscape in specific key markets.

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China: What Rights Holders Need to Know About Trademark Prosecution

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In summary

As a fast-growing jurisdiction with dynamic IP legislation updates and robust trademark filing activities in recent years, China has attracted the attention and interest of legal practitioners and brand owners. That the number of trademark applications and registrations in China is more than tenfold larger than in any other major jurisdiction may imply opportunities and may amplify troubling issues in trademark prosecution. It is important to understand what makes trademark prosecution in China special and what can be done to deliver good practice.

Discussion points

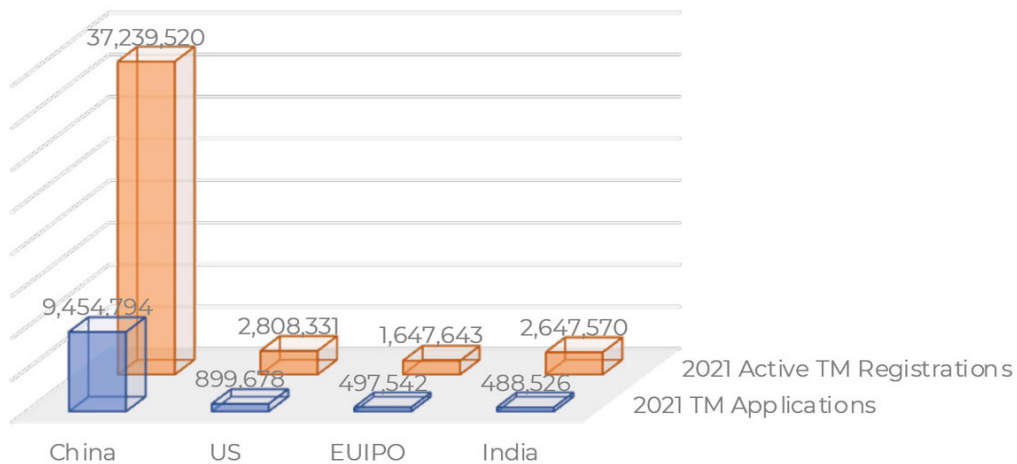
- Reasons for higher refusal rates in China
 - Measures taken by the office against bad faith
 - The importance of use evidence in different procedures
 - General procedures to follow and pitfalls to avoid
 - Licensing and assignment best practices
-

Referenced in this article

- 14th Five-Year Plan for Patent and Trademark Examination
- Trademark Law
- *Christian Louboutin v CNIPA*
- Anti-Unfair Competition Law
- Several Provisions on Regulating the Application for Registration of Trademarks (2019)

Prosecution overview

According to statistics issued by the World Intellectual Property Organization (WIPO), China housed over 9.45 million trademark applications (class count) and 7.76 million trademark registrations (class count) from resident and non-resident applicants in 2021.^[1] The volume of filing activity with the China National Intellectual Property Administration (CNIPA) topped the rankings, followed by the United States Patent and Trademark Office, the European Union Intellectual Property Office and the offices of India. China also led with 37.2 million active trademark registrations in 2021, followed by 2.8 million in the United States and 2.6 million in India.^[2]



While the strong performance in filing activity should be celebrated, new applications are facing increased risk of refusal due to similar prior trademarks in the first-to-file jurisdiction. On top of that, the CNIPA has rigorous standards regarding a trademark's registrability based on its legality and distinctiveness. In 2021, 43% of applications were refused (27.8% total refusal and 15.2% partial refusal) during preliminary examination by the CNIPA (not including international applications extended to China through the Madrid System), according to the office's annual report that year.^[3]

In the background, the CNIPA has been working to shorten the pendency of trademark registration, refusal review and other procedures. The 2021 annual report notes the average examination pendency of four months for trademark registration, making it a seven-month registration cycle. The 14th Five-Year Plan for Patent and Trademark Examination, released by the CNIPA on 20 January 2022, expects to further shorten the examination pendency of refusal review from the six months it was in 2020.^[4]

Registration filing

As set forth in the Trademark Law of China:

any sign that distinguishes the goods of a natural person, legal person, or other organizations from those of others, including any word, device, letter, number, three-dimensional sign, color combination, sound and combination thereof, may be registered as a trademark.

Despite that the types are not listed exhaustively in different languages, other signs such as positions, smells and tastes are not officially accepted or cannot be filed for registration in practice. Therefore, general protection of these new trademark types is still developing in theory in China. It is not impossible to register a non-traditional trademark, but it is not easy and is more likely to be an isolated case – it took nearly 10 years for Christian Louboutin's red sole trademark application to be eventually affirmed as registrable by the Supreme People's Court (SPC) as a single-colour trademark applied to a specific position.

International Registration No. 1031242, or No. G1031242, registered with the CNIPA



If registration of a trade dress is desired, such as with the above-mentioned red sole trademark, it may be filed as a device (figurative trademark) or a three-dimensional trademark depending on the presentation of the trade dress. Regarding the latter option, it is further required that the sign does not merely indicate the shape inherent in the nature of the goods concerned, or achieve technical effects or give the goods substantive value. In practice, three-dimensional trademark applications for the shapes of products or a products' containers are generally refused owing to a lack of distinctiveness, which is difficult to overcome. When such a trade dress cannot be protected by trademark registration, remedies may be sought pursuant to the Anti-Unfair Competition Law of China, which prohibits acts of confusion against one's trade dress, on the condition that the trade dress has acquired certain influence through use.

Regardless of the type, a sign should also be legally allowed for registration and use. While the lack of distinctiveness is still likely necessary to overcome, a sign considered illegal cannot be used as a trademark, let alone registered, such as those identical or similar to state names, flags or emblems, discriminative against any race, consisting of misleading or fraudulent advertising, or detrimental to socialist morals or customs or having other unhealthy influences. As a result of cultural differences, many may find it difficult to understand the final type of violation, which can be further explained according to CNIPA's Guidelines for Trademark Examination and Trial and a judicial interpretation issued by the SPC as: the sign itself or its elements are likely to have negative impacts on public norms, good atmosphere and habits, or public interest or social order, etc, in China. Words (including

abbreviations and translations) and graphics with negative or indecent meanings are likely to fall within this scope and should be avoided.

With millions of active trademark registrations in place, it is not uncommon for an aspiring brand owner to find an identical or similar prior trademark filed by another applicant coincidentally, or by a hoarder or a squatter in bad faith. There are actions to take pursuant to laws and regulations trying to strike a balance between the first-to-file principle and the rights and interests in and to prior unregistered trademarks. As China has been taking a harder line on bad faith filing and registration, any person now has the right to try to oppose or cancel these trademarks. If a specific unregistered trademark is cited, its prior use and reputation (mainly in China) will have to be established to fight against an identical or similar registration, which requires substantial evidence to prove that the unregistered trademark has become well known or at least influential to a certain extent among the relevant public before the confusing registration was filed. Thus, it is always safest to make sure that your client is the first to file; however, if unfortunately they are not, it is critical to seek other ways to register, such as through copyright and preserving evidence of use for possible actions.

Opposition and cancellation

The actions available to annul a trademark include opposition, invalidation and cancellation, with different requirements of the acting parties and trademark status, and distinct consequences and remedies.

General procedures

For any action, the filing should go through formal examination first, which takes around two months before the CNIPA confirms acceptance of the case by issuing an official filing receipt. The CNIPA will then serve the documents to the respondent and notify the party to file a response, if any, to be subject to another round of formal examination. Other actions except invalidation (there will be a cross-examination procedure if a response is filed, on which opinions may be submitted by the acting party) will move on to substantive examination to be concluded with a decision by the CNIPA. The procedures, including cross-examination, are conducted in writing only and follow prescribed time limits strictly. Extra submissions are generally not acceptable unless they may otherwise be approved by the examiners in special scenarios.

Applicable scenarios

The grounds of action include absolute (bad faith, legality and distinctiveness) and relative (prior rights) reasons. The former can be cited by anyone in an action including opposition, invalidation and cancellation (based on loss of distinctiveness or no trademark use for three consecutive years after registration), and the CNIPA may also act ex officio against registrations of trademarks with illegal elements or obtained by improper means, as well as registrations not compliant with the law. On the contrary, when it comes to similarity, only an interested party, such as the owner of a prior right, is entitled to act.

Before the 2019 amendment of the Trademark Law, bad faith was implied as a violation contrary to the good faith principle set forth in the general provisions and reflected in some

examples scattered in the law and relevant provisions but not always consistently applied in practice. It is now provided in Article 4.1 that “Bad faith trademark registration applications that are not intended for use shall be rejected”, and there is further clarification on the factors to consider in the Several Provisions on Regulating the Application for Registration of Trademarks (2019), including:

- the quantity and classes of the applications and registrations, and the transaction history of the person and affiliates;
- the industry and operation;
- previous decisions or rulings on bad faith or trademark infringement;
- similarity to others mark with certain reputation; and
- similarity to famous people, trade names or other commercial signs, etc.

The change has broadened the choices and provided clearer guidance for parties trying to protect their brands.

Non-use cancellation plays an important role in encouraging trademark registrants to use their trademarks and avoid idleness and wasting resources, especially considering the gigantic figure of active trademark registrations. In recent years, the CNIPA has adopted more stringent standards on the authenticity and validity of the evidence of use, so the action can be an effective tool against identical or similar prior registrations that do not seem to be violating the law in any other ways, as long as they have been registered for more than three years. An action may be filed against some or all of the designated goods or services as needed, with prima facie evidence of the trademark at issue not found used on the Internet. As the action is available to anyone, some may prefer to file in an irrelevant third party's name to avoid direct conflict with the trademark registrant.

Consequences and remedies

Successful opposition and invalidation actions both lead to the loss of rights *ab initio*, while cancellation decisions do not have retroactive effects as revocation happens when a trademark no longer functions after being registered. Although the decisions will only come into force when no appeals are filed, the effective dates are different. Opposition and invalidation decisions take effect from the dates when they are made, contrary to cancellation effective from the publication date after a decision is issued.

When brand owners resort to invalidation and non-use cancellation actions, trying to clear the path for their own applications that are filed alongside or soon after favourable decisions are delivered, they may be surprised and perplexed to find their applications still refused owing to these prior trademarks no longer being valid. This is because a one-year phase-out period is provided according to Article 50 of the Trademark Law, and a situation requires actions to keep the current applications alive or re-filing, or both:

If a registered trademark is revoked, nullified or subject to no renewal upon expiration of the period of validity, the Trademark Office shall not approve any application for the registration of a trademark identical with or similar to the said trademark within one year as of the day of the revocation, nullification or cancellation.

In the event of dissatisfaction with a decision from opposition, invalidation or non-cancellation procedures, different remedies are available to the parties. A review by the CNIPA applies to post-opposition (except for the opponent) and post-cancellation procedures, while the parties appealing against an invalidation decision will have to file an administrative lawsuit with the Beijing Intellectual Property Court.

Opposition	Within three months of publication	Absolute reasons	Anyone	Within 12 months of expiration of publication period Plus six months after approval in special situations	Opponent: to file an invalidation action Respondent: to file a review
Relative reasons	Prior rights holder				
Invalidation	After registration	Absolute reasons	Anyone	Within nine months of receipt Plus three months after approval in special situations	To file an administrative lawsuit
After registration, within five years of registration	Relative reasons	Prior rights holder			
After five years from registration	Relative reasons based on a well-known trademark	Owner of well-known trademark			

Non-use cancellation	After three years from registration	Absolute reasons	Anyone	Within nine months of receipt Plus three months after approval in special situations	To file a review
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Assignment and licensing

Regardless of any agreement, approval and publication of assignment by the CNIPA is mandatory for the assignee to enjoy the exclusive trademark rights as set forth in the Trademark Law. It is also provided that the assignor and the assignee should sign an agreement and jointly apply for assignment, but the agreement need not be submitted along with the application in practice, nor are formalities such as notarisation or legalisation in addition to signature or company seal necessary. Simple as the procedure and requirements may seem, trademark assignment is a big deal to be handled carefully in case anything goes wrong, especially considering there is generally around a five months' wait (during which the application can be withdrawn), and ex officio refusal is likely if bad faith is detected by the CNIPA.

Below is a checklist of what to look out for before entering into a trademark assignment.

- Is the trademark to be assigned valid? Is there any ongoing action that may cause invalidation, revocation or the rights to be undermined in any other ways? Assignment also applies to a trademark filed but not yet registered, but if it becomes invalid in the course of the CNIPA's examination, the assignment will not be approved.
- Does the assignor own any trademarks similar to the one to be assigned? Identical and similar trademarks should be assigned together pursuant to the Trademark Law, which include those designated as similar goods. Similarity is generally determined according to the Classification for Similar Goods and Services formulated and practised by the CNIPA based on the Nice Classification system, but do not let that define the classes as the standards of similarity may develop as the client's business needs do. Make sure to cover the items that may cause concern, even if they may not be similar according to the law at the time.
- Does the trademark to be assigned meet the requirements of legality and distinctiveness? Is there any sign of possible bad faith in the filing and assignment history of the assignor? The CNIPA will reject the assignment if the trademark is considered a violation. Past assignment of a trademark filed or registered in bad faith does not make a difference to its nature even if the assignee is not aware of the situation.
- Has the trademark to be assigned been licensed? In the case of an ongoing trademark licence, it will continue to be effective during the agreed term between the licensor (assignor) and the licensee, unless otherwise agreed by the parties.

As for the trademark licence, it may be recorded with the CNIPA for publication upon an application filed by the licensor, which is not required to give the licence effects. However, if the licence is not recorded, it shall not be cited against a bona fide third party. Similarly, the official recordal procedure does not require submission of the agreement, but a form that sets out the basic facts of the licence, including the licensor, the licensee, the licensed trademark and goods and services, and the term and type of the licence (eg, exclusive licensing, sole licensing or general licensing). It is of significant importance to distinguish between and choose from the three licensing types with different scopes of rights. The licensee under exclusive licensing is the most powerful and has the right to take action independently when infringement occurs. In general, recording a trademark licence means more to the licensee as a way to make its rights known and better protected against third parties.

Besides the basic facts as mentioned above, attention should be paid to the following aspects, some of which are listed separately for the licensor and the licensee as they usually have quite different concerns.

Licensor	Licensee
<ul style="list-style-type: none"> • Standard and compliant trademark use • Preservation of use evidence • Quality control 	<ul style="list-style-type: none"> • Trademark validity and stability • Licensing history, especially any conflicting licensees
<ul style="list-style-type: none"> • Due diligence investigation • Payment of royalties • Non-infringement • Action against trademark infringement • Arrangement on the manufacture or sale upon expiration of the licence 	

Takeaways

In summary, the five key need-to-knows for trademark prosecution with the CNIPA in China are:

- China is a first-to-file jurisdiction, so filing is recommended as early as possible;
- China houses the most trademark applications and registrations, with a considerably high refusal rate, for which applicants should be well prepared;
- the CNIPA rigorously examines on absolute reasons for refusal (bad faith, legality and distinctiveness) in various procedures;
- it is critical to preserve evidence of trademark use in China to establish the reputation and influence that may be cited against others; and
- assignment of trademark rights is not recognised until approved and published by the CNIPA, while licences need to be approved.

In mid-January 2023, the CNIPA published the most recent draft amendment to the Trademark Law for comments from the public, which has triggered debates among interested parties due to the suggested changes that may substantially affect the landscape of trademark prosecution and enforcement. Regardless of how the amended law will eventually turn out, combating bad faith should remain a key issue to be facilitated by more measures.

Footnotes

[1] WIPO Intellectual Property Statistical Country Profile 2021 – China, <https://www.wipo.int/edocs/statistics-country-profile/en/cn.pdf>.

[2] WIPO Worldwide IP Filings Reached New All-Time Highs in 2021, Asia Drives Growth, https://www.wipo.int/pressroom/en/articles/2022/article_0013.html?utm_source=google&utm_medium=cpc&utm_campaign=Search%3A+WIFI+2022+%28EN%29&utm_term=IP+Statistics&utm_content=search+ads&gclid=CjwKCAiAzKqdBhAnEiwAePEjvkceeqxOdq40RPv1hq1y6DIZjD9j0XJnTjVWwbyTUIqIfqNV5rQqbRoC-JQQAvD_BwE.

[3] China National Intellectual Property Administration 2021 Annual Report, https://www.cnipa.gov.cn/module/download/download.jsp?i_ID=175845&collID=2925.

[4] The 14th Five-Year Plan for Patent and Trademark Examination, <https://www.cnipa.gov.cn/module/download/downloadfile.jsp?classid=0&showname=%E4%B8%93%E5%88%A9%E5%92%8C%E5%95%86%E6%A0%87%E5%AE%A1%E6%9F%A5%E2%80%9C%E5%8D%81%E5%9B%9B%E4%BA%94%E2%80%9D%E8%A7%84%E5%88%92.pdf&filename=304695a3b4d34a00a38dce5f844d9fd3.pdf>.

IN SUMMARY

As a fast-growing jurisdiction with dynamic IP legislation updates and robust trademark filing activities in recent years, China has attracted the attention and interest of legal practitioners and brand owners. That the number of trademark applications and registrations in China is more than tenfold larger than in any other major jurisdiction may imply opportunities and may amplify troubling issues in trademark prosecution. It is important to understand what makes trademark prosecution in China special and what can be done to deliver good practice.

DISCUSSION POINTS

- Reasons for higher refusal rates in China
 - Measures taken by the office against bad faith
 - The importance of use evidence in different procedures
 - General procedures to follow and pitfalls to avoid
 - Licensing and assignment best practices
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Before the 2019 amendment of the Trademark Law, bad faith was implied as a violation contrary to the good faith principle set forth in the general provisions and reflected in some examples scattered in the law and relevant provisions but not always consistently applied in practice. It is now provided in Article 4.1 that “Bad faith trademark registration applications that are not intended for use shall be rejected”, and there is further clarification on the factors to consider in the Several Provisions on Regulating the Application for Registration of Trademarks (2019), including:

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licensing, sole licensing or general licensing). It is of significant importance to distinguish between and choose from the three licensing types with different scopes of rights. The licensee under exclusive licensing is the most powerful and has the right to take action independently when infringement occurs. In general, recording a trademark licence means more to the licensee as a way to make its rights known and better protected against third parties.

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Endnotes

- 1 WIPO Intellectual Property Statistical Country Profile 2021 – China, <https://www.wipo.int/edocs/statistics-country-profile/en/cn.pdf>. [^ Back to section](#)
- 2 WIPO Worldwide IP Filings Reached New All-Time Highs in 2021, Asia Drives Growth, https://www.wipo.int/pressroom/en/articles/2022/article_0013.html?utm_source=google&utm_medium=cpc&utm_campaign=Search%3A+WIFI+2022+%28EN%29&utm_term=IP+Statistics&utm_content=search+ads&gclid=CjwKCAiAzKqdBhAnEiwAePEjkcceeqxOdg40RPv1hq1y6DIZjD9j0XJnTjVWwbyTUIqlfQNV5rQqbRoC-JQQAvD_BwE. [^ Back to section](#)

- 3 China National Intellectual Property Administration 2021 Annual Report,
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- 4 The 14th Five-Year Plan for Patent and Trademark Examination,
<https://www.cnipa.gov.cn/module/download/downfile.jsp?classid=0&showname=%E4%B8%93%E5%88%A9%E5%92%8C%E5%95%86%E6%A0%87%E5%AE%A1%E6%9F%A5%E2%80%9C%E5%8D%81%E5%9B%9B%E4%BA%94%E2%80%9D%E8%A7%84%E5%88%92.pdf&filename=304695a3b4d34a00a38dce5f844d9fd3.pdf>. ^ [Back to section](#)

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