

2023 China Trademark Legal and Practice Updates for Foreign Brand Owners

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In order to strengthen the protection of the intellectual property rights and improve the quality control of trademark prosecution and enforcement, China issued a number of new regulations and practice guidelines in late 2022. The purpose of the new regulations, which were issued by the China National Intellectual Property Administration (the “**CNIPA**”) and the State Market Supervision Administration (the “**State MSA**”), was to further guide and regulate trademark practice as well as trademark agency conduct. In addition, on January 13, 2023, the CNIPA published *the Draft Amendment of the PRC Trademark Law* for Public Comments. The State MSA also published *the Draft Amendment of the PRC Anti-Unfair Competition Law* for Public Comments on November 22, 2022.

This post will provide a brief update on these recently published regulations and guidelines regarding trademark practice in China, including highlighting the aspects that are relevant to foreign brand owners and foreign trademark practitioners.

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1. Detailed Rules on Administration and Supervision of the Conduct of Trademark Agencies

In China, most of the trademark applications are filed in the PRC Trademark Office through agencies such as law firms or companies that provide IP services. For foreign brand owners, a frequent concern and challenge in China is the prevalence of trademark squatting activities. As part of the Chinese government's efforts to tackle this problem, the 2019 PRC Trademark Law seeks to address this problem by regulating these trademark agencies' practice and conduct. For example, Article 19 of the PRC Trademark Law imposes certain duties on trademark agencies and prohibits certain conduct. A trademark agency violating any of those provisions under Article 19 may be penalized under Article 68 of the PRC Trademark Law.

On October 27, 2022, the State MSA issued *the Rules on Administration and Supervision of Trademark Agencies* (the “**Trademark Agencies Rules**”), which came into effect on December 1, 2022. These new Rules supplement the general provisions (such as Articles 19 and 68 mentioned above) under current PRC Trademark Law and its implementation measures with respect to the practice and the conduct of trademark agencies in China.

Specifically, Section 29 of the Trademark Agencies Rules explains what constitutes “*disturbance to the market order of trademark agencies by way of slander or other improper means*” under Article 68(2) of the PRC Trademark Law by setting out ten (10) specific practices that are prohibited.

One of practices that is prohibited under Section 29(1) is for a trademark agent to accept an instruction to file a trademark application knowing that it is for a mark that is taking advantage of sudden events, quick fame gained by internet celebrities, influencers, hot

topics or buzz words. In September 2022, just shortly before the Trademark Agencies Rules was issued, the trademark agency Alibaba Technology (Beijing) Co., Ltd was ordered by the local MSA to pay a fine in the amount of RMB80,000 (~US\$12K) for accepting instructions to file trademark applications for a trademark squatter for the mark “谷爱凌 GU AI LING” and “Eileen GU”, which are the Chinese and English names, respectively, of a freestyle skier who quickly gained great fame in China during the 2022 Winter Olympic Games held in Beijing.

Under Section 23 of the Trademark Agencies Rules, if a trademark agency is intentionally involved in any IP infringing activities, such as submitting a bad faith trademark application, it will not only be penalized under the PRC Trademark Law, but will also be placed on a blacklist of enterprises deemed to have engaged in illegal and/or dishonest conduct.

2. Guidelines On Avoidance of Conflict with Prior Rights in Article 32 of the PRC Trademark Law

On December 7, 2022, the CNIPA issued the "*Guidelines on How to Avoid Conflict with Prior Rights in Trademark Application and Use*" (the “**Prior Rights Guidelines**”), whereby it provided further clarification on the scope of “prior rights” under Article 32 of the PRC Trademark Law. This guidance included providing case examples and guidelines on how to avoid conflict with existing prior rights when applying for trademark registration in China. The Prior Rights Guidelines expand on the list of prior rights to include rights and interest in the title of a work, the name of a famous role in a work, the name of a database or a virtual figure. Such rights have previously been recognized by various decisions of the Chinese courts. In this regard, the Prior Rights Guidelines provide a case example in which protection of an opponent’s prior rights in the name of the world’s first Chinese Vocaloid and virtual figure “LUOTIANYI” was granted by the Chinese trademark authorities.

3. Clarifications On Class 35 Services in China

On December 7, 2022, the CNIPA also published another important guideline providing clarifications on Class 35 services items, namely, the “Guidelines on the Application For and the Use of Service Marks in Class 35” (the “**Class 35 Guidelines**”). The Class 35 Guidelines provide a detailed interpretation of the service items in Class 35 in the PRC Goods and Service Classifications. In a nutshell, the Class 35 Guidelines explain that the services covered in Class 35 refer to services that are provided to others and to assist others’ business and operation rather than to the registrant itself for its own business operation. For example, advertising and promotion of one’s own trademarked clothing products does not qualify as “advertising” services under Class 35, but instead is use of a trademark for clothing under Class 25. By contrast, the typical use of a trademark for “advertising” services in Class 35 includes advertisement planning, design, and production for a third party’s products and/or services. Although Chinese courts have made similar clarifications in adjudicating trademark cases, the Class 35 Guidelines now provide clear guidance to assist trademark practitioners in understanding Class 35 services.

However, foreign brand owners should know that this does not mean that Class 35 is unimportant and a brand owner should include Class 35 in its trademark portfolio in order to obtain proper trademark protection in China. By way of example, if a clothing products brand owner does not protect its trademark rights by securing trademark registration in Class 35, its brand name may be pirated by a third party in Class 35. The third-party pirate could then use the brand name as a shop name for selling clothing products, and the brand owner would likely find it difficult to stop the third party from using the shop name even if consumer confusion was obvious.

4. New Draft Amendments to the PRC Trademark Law and the PRC Anti-Unfair Competition Law for Public Comments

On January 13, 2023, the CNIPA published *the Draft Amendment of the Trademark Law of PRC* on its website for public comment. The draft has introduced 23 new provisions into the trademark law as well as substantive amendments to 45 provisions in current trademark law. Significant amendments in the draft include the prohibition on repeated trademark applications for the same mark in respect of the same goods or service item by the same applicant/registrant, the introduction of “promise to use” requirement, and a related mechanism to remove registered trademarks that are not in use after five years of registration.

In addition, on November 22, 2022, the State MSA released *the Draft Amendment of the Anti-Unfair Competition Law of PRC* for public comment.

We will continue to monitor any developments on these important legal changes in China and make sure to keep you updated.