

Table of Contents

China Tops PCT International Patent Filings..... 1
 Chinese Courts Concludes over 475,000 IPR Cases in 2019 1
 Supreme Court Tightens IP Protection 1
 How Do Trademark Disclaimers Affect Similarity Examination?..... 2
 Beijing High Supports American Firm's Prior Copyright Claim 6
 Siemens Triumphs over A String of Local Trademark Free Riders 7

China Tops PCT International Patent Filings

With 58,990 PCT applications filed last year, China overtook the US, which filed 57,840 applications that year, as the biggest user of the PCT system. The top position has been held by the US since the PCT system began in 1978.

In 2019, the top five users of the PCT system were China, the US, Japan, Germany and South Korea. For the third consecutive year, China-based telecoms giant Huawei, with 4,411 published PCT applications, was the top corporate filer in 2019. It was followed by Mitsubishi Electric of Japan, Samsung Electronics of South Korea, Qualcomm of the US and Guangdong OPPO Mobile Telecommunications of China.

<http://english.cnipa.gov.cn/news/iprspecial/1147325.htm>

Chinese Courts Concludes over 475,000 IPR Cases in 2019

Chinese courts have concluded 475,853 intellectual property rights (IPR) cases in 2019, up 48.87 percent year on year.

In the meantime, a total of 481,793 IPR cases of various types have been received by courts across the country, 44.16 percent higher than the previous year.

A number of administrative cases of patent authorization and confirmation with great social influence concluded and malicious applications for trademark registration contained in accordance with the law. Proactive measures have been taken to explore the application of law in IPR disputes involving the Internet and new technologies,

to provide legal guidance for Internet enterprises to develop new technologies and expand new businesses. The country also has cracked down on malicious litigation and made efforts to standardize IPR litigation procedures to help build an honest business environment.

<http://english.ipraction.gov.cn/article/ns/202004/309580.html>

Supreme Court Tightens IP Protection

Recently, the Supreme People's Court issued *the Opinions on Comprehensively Strengthening Judicial Protection of Intellectual Property Rights*, to put forward a series of measures to reduce the cost of obligees in litigations, shorten the litigation period, increase compensation for damages and alleviate the difficulties of parties concerned in presenting evidence, in order to practically strengthen the actual effect of judicial protection.

The Opinions also requires improving the rules for the distribution of evidential burden, the system of obstacle removal for evidence presentation and the system of witness appearing in court to testify, expanding the channels for collecting electronic data evidence, legally supporting the application of parties concerned for perpetuation of evidence and for investigation and evidence collection; increasing compensation for serious infringement of IPRs, legally confiscating and disposing fake or pirated commodities and the materials and tools mainly used for infringement, etc.

<http://english.cnipa.gov.cn/news/officialinformation/1147959.htm>

SUPPLEMENTARY ISSUE

How Do Trademark Disclaimers Affect Similarity Examination?

A trademark is a sign indicating the origin of goods. It by nature requires the constituent elements to show distinguishable characteristics and features so as to further prompt brand recognition. You may find many trademarks also have descriptive or generic elements in order to help consumers quickly identify the basic information relating to the goods, and thus easily establish connections between the trademark and the designated goods. Typical descriptive or generic elements are words or symbols that are widely used to describe the designated goods bearing the trademark, such as the name of the goods, the characteristics of the goods, or the name of the place where the goods are manufactured. Those elements are inevitably also used in a normal business context by others. In order to balance the exclusive rights of the trademark owners and the interests of the public, the Trademark Law stipulates that a trademark owner does not have the right to restrain others from properly using such elements. If such elements are a part of one's trademark, the trademark owner can renounce the exclusive right to the elements in his trademark. Such a statement is called a trademark disclaimer.

Background

As a small part of the *Trademark Review Opinions*, conduct surrounding trademark disclaimers was set forth in the *Notice of the State Administration for Industry and Commerce on Issues Related to Trademark Review Opinions* (notice), which was implemented in 2000. The notice specified circumstances where a trademark disclaimer may be needed. For example:

- Article 3 - an exclusive trademark right shall be automatically disclaimed if it regards publicly known/used wordings included in a trademark application for an enterprise name.
- Article 4 - an applicant shall disclaim the exclusive right to a generic name, graphic element, or an element that directly indicates the quality, main materials, functions and/or other characteristics of the goods bearing his trademark.

In 2002, the Regulations on the Implementation of the Trademark Law were released. This document no longer provided explicit provisions in relation to the *Trademark Review Opinions*. This indicated that the notice was no longer implemented. Although the exact term is not found in the current law, the right to disclaim the exclusive right to certain elements of a trademark has been kept in practice. An applicant may voluntarily disclaim the exclusive trademark right to a certain portion of his trademark application in the comment section of the trademark application form prescribed by the National Intellectual Property Administration. Courts will also consider the trademark disclaimer, if there is any, when trying trademark disputes.

Some trademark applicants might think that a trademark disclaimer is a guaranteed pass for registration because he can overcome any problem by disclaiming the questionable part of his trademark. This is a misunderstanding. There are many criteria applied in trademark

examinations according to the current regulations such as the Trademark Law and the Trademark Examination and Trial Standards. For example, if a trademark application violates any prohibitive provisions, it will be rejected regardless of if a trademark disclaimer has been made.

Articles 10 and 11 of the Trademark Law list the detailed circumstances in which a trademark application will be rejected. In practice, a common ground seen in rejections is that a trademark application or some elements of a trademark application lack distinctiveness. The Trademark Examination Standards stipulate that if a trademark has a part that does not have distinctive features and the use of the trademark on the designated goods would easily cause the relevant public to misunderstand the characteristics of the goods, even if the applicant makes a trademark disclaimer, it should be rejected pursuant to the above-mentioned articles.

Cases

Another misunderstanding among trademark applicants is that the disclaimed portion of the trademark application would be excluded from consideration during the trademark examination and thus would not conflict with the prior rights of others. We will use the following example to demonstrate the development of juridical opinions on this particular point.

The Beijing Intellectual Property Court used to hold that it was not necessary to consider the disclaimed portion of the trademark when determining whether the trademark is similar to others. This viewpoint was inherited from the judgment (2011) *Gaoxing Zhongzi* No.1348 of the Beijing Higher People's Court, which recorded the following: "In addition, the cited trademark expressly disclaims the exclusive right to the portion of MAGISTRALNUTRITION, so pursuant to the law, the legitimate use of this wording by others cannot be restricted." The opinion was affirmed in an administrative lawsuit against the review of the rejection of the trademark application of "MATERIA" over the cited trademark "GNMaterials and device", which was heard by the Beijing Intellectual Property Court in 2015. Seeing the owner explicitly disclaimed the exclusive right to "Materials" in the cited trademark "GNMaterials and device", the court referenced the above-mentioned judgment No. 1348 and concluded in its judgment (2015) *Jing Zhixing Chuizi* No.2610 that the owner of the cited trademark cannot restrain others from using the disclaimed portion of his trademark. The court also put forward that it is feasible to only compare the non-disclaimed portion, i.e., to compare the words "GN" and the device part of the cited trademark with "MATERIA" in the trademark application, when determining whether the two constitute similar trademarks.

The applied standards on similarity determination and the consequent ruling were opposed by the Trademark Review and Adjudication Board (TRAB) - the defendant in the case. In the appeal submitted to the second instance court, namely the Beijing Higher People's Court, the TRAB pointed out that although the owner of the cited trademark had disclaimed the exclusive right to that particular portion of his trademark, it did not have an effect on the consumers. The

disclaimed text would still be identified as a substantial part of the cited trademark in the eyes of consumers, and more importantly it was similar to the trademark application. Thus consumers were likely to misunderstand the source of the goods of the two trademarks.

In the second-instance trial, the Higher Court accepted the TRAB's opinions and decided that the judgment No.2610 of the first instance was inappropriate with respect to similarity determination. The Higher Court then ruled in its judgment (2015) *Gaoxing Zhongzi* No.3299 that protection and use of a trademark should follow the principle of entirety and not involve separating the whole trademark into different components for protection. The disclaimed portion of the trademark should be considered as an indivisible part of the trademark and thus included in the overall comparison.

After the above-mentioned cases, the courts tend to adopt unified stands for similarity determination and gradually form coordinated opinions on how a trademark disclaimer may affect similarity determination. The mainstream view is now that the disclaimer statement is recorded in the trademark files, of which the relevant public is not aware, so the disclaimed portion will still be considered as a constituent part of the trademark during similarity comparison. To determine whether two trademarks are similar, overall observation is primary adopted; comparisons between main constituent elements may come as a supplement. Comparisons may be made on aspects such as shape, sound, meaning, and overall effect, and should rest on the general attention of the relevant public. Even when the disclaimed portion of the trademark appears in a prominent position in the trademark, the "overall plus main elements" standards still apply. The disclaimed portion would still be considered as a main element, and the comparison would not be affected by the disclaimer.

Disclaiming the exclusive right to a certain portion of the trademark can also have a positive influence on similarity determination. A disclaimer statement can help examiners identify what the main elements and secondary elements are in a trademark, especially when the disclaimed elements do not seem to be in a prominent position.

In a trademark infringement case heard by the Shanghai No.1 Intermediate People's Court, the plaintiff had a registered trademark "欧普照明及图(OPPLE Lighting and device)", in which the word "照明(lighting)" was disclaimed; the defendant had been using "欧普" on their own products. The Court held in its final judgment (2010) *Hu Yizhong Minwu (Zhi) Zhongzi* No.17 that since the exclusive right to "照明" had been disclaimed, "欧普" was the main word part of the plaintiff's trademark. The defendant had been using the same characters on their products, which constituted using of a similar trademark. The defendant's use violated the plaintiff's exclusive trademark right. Thus, infringement was found.

The Beijing Intellectual Property Court also considers trademark disclaimers when determining what the main elements are in a trademark. For example, in a 2018 case the trademark applied

for was “五联塑料件(WuLian plastic part)”, in which “塑料件(plastic part)” was disclaimed, and the cited trademark which blocked the registration was “联塑(Lian plastics)”. The Court pointed out in its judgment (2018) *Jing 73 Xingchu* No.3265 that plastic part is a common product in daily life and the corresponding word “塑料件” is a generic description. The relevant public would not split the three-character term into individual character during trademark identification or comparison. In addition, the owner of the trademark in the dispute had disclaimed the exclusive right to the word “塑料件”. The main element of the trademark in dispute should therefore be the word “五联(WuLian)”. Due to the obvious difference found in the main elements of the marks, i.e., “五联” of the trademark in dispute and “联塑” of the cited mark, the Court held that the marks were not similar to each other.

In practice, the boundary between the main elements and other decorative or descriptive elements in trademarks is not always very clear, making it difficult for the examiner to categorize. In addition, there is a perception that the categorization of the elements may be subjective and may vary among different examiners. It is possible that secondary elements will be mistaken for main elements in a similarity comparison. From the above cases, it is evident that a proper trademark disclaimer renouncing the exclusive trademark right to the non-distinctive or less distinctive portion of a trademark can serve as a clue to help examiners identify the main elements of the trademark, thus facilitating a more accurate comparison on similarity.

The purpose of a trademark disclaimer is to find a balance of rights and interests between the trademark owner and the relevant public, so that all market participants can use non-distinctive descriptions and generic elements in goods and services without worrying about the infringement of others' trademark rights. As a right holder, a trademark owner can disclaim his right to a certain portion of his mark. Although there are no explicit regulations in a legislative level, a unified understanding on the role and effect of a trademark disclaimer has been gradually formed in judicial practice through the judgments of courts at all levels over the past years. Trademark protection is based on the principle of entirety of a trademark. A trademark disclaimer does not necessarily exclude the disclaimed portion from being considered for similarity comparison. If the disclaimed portion does not play a significant role in the trademark and does not belong to any prohibitive scenario, the disclaimer statement would highlight the main elements in the trademark and thus help with the similarity determination.

This article was first published on China IP Focus 2020 published by Managing Intellectual Property Magazine.

<https://www.managingip.com/article/b113vwn2zh7l8c/how-do-trademark-disclaimers-affect-similarity-examination>

Beijing High Supports American Firm's Prior Copyright Claim

Surrounding the No. 13511300 "awc" trademark (trademark in dispute), Beijing High People's Court made a final judgment recently.

The trademark in dispute was filed for registration by Shanghai Youbo Environmental Technology Company on November 8, 2013, and would be approved to be used on Class 1 goods including water purifying chemicals in January 2015.

In November 2015, American Water Chemicals Inc. or AWC in the abbreviated form filed an invalidation request to the former Trademark Review and Adjudication Board (TRAB), asserting that the word "awc" belongs to the prior copyrighted art work of AWC. The trademark in dispute was the imitation of its work, damaging the company's prior copyright. The word "awc" was used previously by AWC and was famous and influential as trademark and trade name. The registration of the trademark in dispute constituted the act of squatting well-known trademark and trade name in bad faith.

Youbo argued that the evidence AWC provided failed to prove that it owned the prior copyright of "awc". AWC did not submitted evidence to prove its trademark "awc" was previously used and well-known and it cannot prove Youbo registered the trademark in dispute in bad faith.

The former TRAB held that the evidence cannot prove "awc" as trademark and trade name has been used on the goods similar with which the trademark in dispute was approved to be used on and enjoyed high reputation before the date of the registration of the trademark in dispute. The word "awc" was only a common combination of English letters and was not unique, belonging hardly to the work protected by China's Copyright Law. So the former TRAB made a decision to uphold the trademark in dispute in April 2016.

The disgruntled AWC then brought the case to Beijing IP Court.

Beijing IP Court held that the word "awc" was unique and was a copyrighted work. The registration of the trademark in dispute damaged the prior copyright of AWC. The relevant evidence can neither prove the trademark in dispute was identical or similar with AWC's trade name nor prove the word "awc" had been used by AWC as its trade name in China and was well-known when used on the goods which the trademark in dispute was approved to be used on before the registration of the trademark in dispute. Therefore, the Court made its first-instance judgment, revoking the former TRAB's decision.

China's National Intellectual Property Administration (CNIPA), which inherited the former TRAB's functions, then appealed to Beijing High People's Court, claiming that "awc" does not belong to the work protected by China copyright law and the trademark in dispute does not damage the prior copyright of AWC.

Beijing High People's Court held that AWC's trademark "awc" was unique and was a copyrighted work. The registration of the trademark in dispute damaged AWC's prior copyright. In the connection, the Court declined the request of CNIPA and upheld the trial Court judgment.

<http://english.cnipa.gov.cn/docs/2020-04/20200422074009021116.pdf>

Siemens Triumphs over A String of Local Trademark Free Riders

Recently, Hebei High People's Court (Hebei High Court) made a final judgment on a dispute that Siemens AG FWB and Siemens (China) Co., Ltd. sued Hainan Ximenzi Century Electric Co., Ltd. (Hainan Ximenzi) (Note: Ximenzi is the literal Chinese pronunciation of Siemens' Chinese trademark) and Tangshan Lunan Hongtao Home Appliances Distribution Office (Hongtao Distribution Office), Zhejiang Ripu Electric Co., Ltd.

(Ripu Company), Cixi Feilong Special Refrigeration Equipment Co., Ltd. (Feilong Company), a person surnamed Ding for trademark infringement and unfair competition. Hebei High Court ordered Hongtao Distribution Office to stop selling the infringing freezer products involved; Hainan Ximenzi, Ripu Company and Feilong Company to stop production and sales of the products involved, and to stop using "Ximenzi Century" and "Hainan Ximenzi Century Electric Co., Ltd." in commercial activities; Hainan Ximenzi to change its trade name which must not contain the same or similar words as "Siemens"; Hainan Ximenzi, Ripu Company, Feilong Company and Ding to jointly indemnify the plaintiff 500,000 yuan in damages and reasonable cost and Hongtao Distribution Office to compensate 50,000 yuan in damages.

Siemens Company was the trademark holder of No. G683480 "西门子" and No. G637074 "SIEMENS", both of which are eponymous trade names.

Hainan Ximenzi engages in the production, processing and sales of household appliances. Ding is the legal representative of the company. Ripu Company mainly manufactures and processes household appliances and accessories.

Feilong Company takes care of the manufacturing and sales of refrigeration appliances.

Siemens Company found that Hongtao Distribution Office sold refrigerators marked with "Ximenzi Century" and "Hainan Ximenzi Century Electric Co., Ltd." and "Ximenzi Century" was prominently used in the side of the refrigerator.

Hainan Ximenzi authorized Ripu Company to sell refrigerators marking "SIIXMZ" brand. The latter authorized Feilong Company to process and produce refrigerators containing "SIIXMZ" brand. Hongtao Distribution Office purchased "SIIXMZ" refrigerators from Ripu Company. Accordingly, Siemens Company filed a lawsuit at Tangshan Intermediate People's Court (Tangshan Court) on the grounds that Ding and the above four companies infringed on the exclusive rights of their "Siemens" trademarks, which also constituted unfair competition.

The five defendants jointly argued that Ding was the right holder of the No. 7267867 "SIIXMZ" trademark, and Siemens had withdrawn from the field of home appliances since September 2014. Therefore, they neither infringed the plaintiff's trademark rights nor constituted unfair competition.

After hearing, Tangshan Court held that the act of using the word "Siemens" on the products produced and sold by Hainan Ximenzi, Ripu Company and Feilong Company without authorization constituted unfair competition.

Although Ding is the owner of the No. 7267867 trademark "SIIXMZ", he was not involved in the production or sales of the alleged infringing product and therefore he should not be liable for

compensation. Hongtao Distribution Office submitted evidence to prove that the products sold in the case came from legitimate sources and should not be liable for compensation.

Disgruntled with the trial court's judgment, Siemens Company appealed to Hebei High Court.

Hebei High Court held that Ding, as a businessman in the electrical industry, registered the trademark "西门子" as a trade name, founded Hainan Ximenzi and prominently used the trade name on the alleged infringing products, which had a bad faith to mislead the social public on the source of the products and constituted trademark infringement together with three companies.

Hongtao Distribution Office, as a seller of the infringing product involved in the case, also constituted trademark infringement. Considering high reputation of the trademarks in question, multitude of models of alleged infringing products, expansive sales regions, lengthy time of infringement and apparent bad faith, the damages of 100,000 yuan determined in the first instance is too low and should be corrected. In this connection, Hebei High Court made the above judgment.

<http://english.cnipa.gov.cn/docs/2020-04/20200408085840229111.pdf>