

INTELLECTUAL PROPERTY NEWSLETTER

NEW TRADEMARK POLICY WILL BENEFIT POLITICIANS AND OTHER "FAMOUS" NAMES



The Supreme People's Court has issued Provisions on Several Issues concerning the Trial of Administrative Cases Involving the Granting and Ownership Determination of Trademark Rights, effective March 1, 2017, to clarify that the Trademark Law's Article 10(8) prohibition on registration of trademarks that "are detrimental to socialist morality, customs, or other unhealthy influences," should be read to include the names of "a public figure in the fields of politics, economics, culture, religion, or ethnicity". The name of a foreign politician such as Hillary Clinton or Donald Trump would qualify as such a name, and should therefore be prohibited to trademark squatters. Article 10(8) is being applied to a broader range of names. Even names such as "Buckingham" and "Genoa" are being rejected for trademarks on the grounds of imitation of famous names. Furthermore, as China seeks to improve protection of foreign rights holders, recognition of famous mark status has been granted even to a few brands whose products are prohibited from business in China, such as FACEBOOK.

CHINA USING 11th EDITION OF NICE CLASSIFICATIONS

The China Trademark Office has adopted the 11th edition of the Nice Classifications for trademark applications made in 2017.

CHANGE IN TRADEMARK PRACTICE POLICY

It appears that the Trademark Review and Appeals Board plans to increase efficiency in trademark re-examination practice by accepting requests to suspend review of re-examination cases only cases where an opposition, invalidation or non-use cancellation case was pending at the time a re-exam is filed. In other words, such actions must be filed prior to the filing date of a re-examination.

However, no written policy statement has yet been issued, and officers could not confirm the change in practice at this time. Nevertheless, it would be prudent to act as if the policy is or will be in force in the near future. So trademark applicants considering action against a blocking registration should do so before filing a re-examination petition.

REDUCTION IN GOVERNMENT FILING FEES

The China Trademark Office has reduced its government filing fees for trademark filings. In some cases government fees have been reduced by 50%. For example, the fee for filing each additional goods description in excess of 10 has dropped from RMB60 to 30 (approximately US 4.50 at current rates). The government fee for renewing a trademark has dropped from RMB2,000 to 1,000 (approximately US\$145 at current rates). The government fee for a new application on a per mark per class basis has dropped to RMB300 (approximately \$44). There was no simplification of the application process or paperwork. Clients will notice the reduced fees reflected in their invoices.

ENFORCEMENT AGAINST ONLINE PATENT INFRINGEMENT

Sample Case Report: Jiayikou Vs. Tmall.Com

Online Marketplaces Should NOT Impose Excessive Requirements to Evade Duty to Remove Patent Infringements: The Limits of Case Decisions

Plaintiff Jiayikao sued online marketplace Tmall.com, a subsidiary of Alibaba, and Jinshide, maker of an infringing device. Plaintiff claimed that Jinshide's product infringed on Plaintiff's invention patent for an infrared cooking device, and that Tmall.com failed to remove Jinshide's offerings. Plaintiff brought action at the Jinhua Intermediate Court, which found for Plaintiff and ruled that Jinshide infringed Plaintiff's patent. The Court also ruled that Tmall should bear joint liability for additional losses caused by its delay in removing the infringing products page. On appeal by Tmall.com, the Zhejiang Provincial High Court found that Jinshide's device infringed on Plaintiff's valid patent and that Tmall.com's failure to adopt necessary measures upon receiving Plaintiff's notice increased Plaintiff's losses.

The Court first found that the infringing vendor did not qualify for exemption from liability for unintentional downstream distribution of infringing products. Such exemption applies when a downstream distributor has no reason to know that products are infringements. China's Patent Law, Article 70, states, "Whoever uses, promises to sell, or sells an infringing product without knowing that such product was produced and sold without permission of the patentee for the purpose of production and business will not be required to bear liability for compensation, provided that he can prove that such product was obtained from a legal source." The Court found that the Defendant Jinshide sold products that were not marked by any manufacturer, and lacked any information on the source of the product. In addition, the receipt for sale of the goods bore no description of the goods or their trademark. In combination, these factors should have made Jinshide aware that it was purchasing for distribution infringing products. Since Jinshide could not provide evidence to prove the product was from a legal source, it should have been aware of the infringement and therefore it failed to qualify for exemption from liability.

The Court then noted that under China's Tort Liability Law, the basic requirement for exemption from liability is that an online marketplace must at least provide notice to its vendors of potential infringement allegations. In order to reduce

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future damages, the economic incentives for the marketplace to support the vendor need to be adjusted. Failure or refusal to provide such notice and thus block reasonable measures against infringement should prevent an online marketplace from claiming exemption from liability.

Court noted that Tmall.com ignored Plaintiff even though it provided 5 pages of evidence in its allegation against Jinshide. The Court noted that Plaintiff argued that on the one hand, Tmall claimed it was exempt from liability since it had no power to know which products are infringements, but on the other hand, Tmall required detailed evidence of infringement. Its detailed requirements conflict with its claimed exemption from liability on the grounds that as an intermediary it was not aware of any infringement.

Tmall defended that it did not have an obligation to notify its vendor until it received notice from a rights holder. Tmall's definition of notice included 1) a purchase of the infringing item, presumably on Tmall's site, 2) the serial number of the purchase order for purchase of the infringing item, 3) the Taobao account names of both the purchaser and the accused online vendor, 4) a detailed comparison report of the infringing and original items.

Tmall defended that without such evidence, it could not investigate the accused vendor or verify the veracity of the allegations. Tmall also defended that it should not be liable for infringement since it informed the Plaintiff of the defects in Plaintiff's allegations and allowed the Plaintiff to cure its notice by providing Tmall with more information.

The Court found that Tmall's definition of notice was bureaucratic and exceeded legal requirements. Plaintiff could have several valid reasons for withholding the four requested elements, and Tmall could not avoid its liability by imposing excessive requirements on a plaintiff. The Court stated that Plaintiff sufficiently fulfilled Tmall's posted Take-Down requirements, but only after the suit was filed alleging joint liability did Tmall remove the site. The Court found that such delay was not reasonable, and that Tmall could not impose its own definition of "notice" to meet the requirements of the Tort Liability Law. Tmall's failure to forward notice to Jinshide, or to remove Defendant's infringing offering, excluded Tmall.com from receiving exemption from liability as an ISP without knowledge of infringement.

Unfortunately, even after 18 months of the Zhejiang Court's decision, Tmall's affiliated companies, such as Taobao, continue to impose detailed and bureaucratic requirements on IP rights holders seeking to take down infringing contents. Taobao requires Take Down Notices to be supported by a court or administrative judgment affirming the existence of infringement, or a detailed infringement analysis report. China has a civil law system, the Zhejiang High Court is a provincial level court, and China does not follow the principle of stare decisis.

(Weihai Jiayikao Life Household Appliances Co., Ltd. vs. Yongkang Jinshide Industrial and Trade Co., Ltd. and Zhejiang Tmall Network Co., Ltd., Zhejiang Provincial High Court, (2015) Zhe Zhi Zhong Zi No. 186.)