How to Protect Your Marks in China and Pitfalls to Avoid

Understanding the Trademark Registration Process

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Huge amount of filings and registrations
1990 - 2018
China: ranked No. 1 in the world for TM filings for the 16th time (2017)
China Trademark Filings in 2017

Total: 5,748,175 new Trademark Filings
No.1 in the world for 16 years

Domestic, 5,538,980, 97%

Foreign, 112,347, 2%

Madrid, 52,191, 1%
China Trademark System Basics

- First to File vs. First to Use (Use evidence or intention to use not required at or after filing)
- File exactly how you plan to use vs. text format
- Complicated subclass system based on Nice Classification (Standard Goods and Determination on Similarity)
- Non-use cancellation available only after 3 years of registration (how to prepare)
- 3D/Audio/Color Combination
SubClassification
Heavy Workload:
- CTMO examiner – 4 opposition cases/day, 80/mo
- TRAB examiner – 6 review/invalidation cases/day, 120/mo
- Beijing IP Court Judge – 1.5 cases/day, 200-300/yr
Problems Caused by the Huge Number

Over 14.92 Million Valid Registrations (2017.12)

http://sbj.saic.gov.cn/sbcx/
High Rate of Rejection

2017
- Total filings: 5.748 M
- Filings approved: 2.66 M
- Rejected/partially rejected: 1.59 M

Overall rejection rate: 37.41%

2018 rejection rate even higher (~52.8%)
Reasons for the Filing/Registration Increase

1. Large number of new enterprises in China
   2018 – over 100M existing business entities; 45K new/day

2. Encouragement by the governments
   2008 national IP strategy; public entrepreneurship & innovation

3. Large number of investment registrations
   Registrations to trade, not for use

4. **Bad faith filings** and defensive filings
About Bad Faith Filings

- An industry of professional trademark squatters, tracing from tier 1 to tier 3 brands of any industry, especially foreign brands
- To invalidate or cancel a registration consumes time and money
- Bad faith alone is not a sufficient legal ground to oppose or invalidate, additional elements required (prior use, prior right, contractual relationship, well-known trademark, etc.)
What To Do

Watch/Opposition/Invalidation are Important

2016
Total oppositions – 57,274
Success rate – 28.8% (16,495)
Total reviews on oppositions in 2016 – 1,280

2017
Total oppositions – 72,559
Success rate – 34.25%
(2013 – 17%; 2015 – 26%)
Bad Faith Cases in Oppositions

20,185 winning oppositions in CTMO (2017)

- Non-BFF: 14,450 (71.59%)
- BFF: 5,734 (28.41%)

- A7: 6%
- A13: 11.65%
- A32: 9.53%
- A15: 1.22%
A race to registration/Frustrating timing game

- File Madrid Protocol vs. Direct Filing (convenience/costs)
- Cross Class/SubClass Protection - Copyright is used as a powerful tool
- Registration is the KEY and basically no common law rights
- Examination is fast and unsophisticated (More sophisticated professional suggestions and appeals to Court)
- About use evidence
### Total Cases Received by TRAB in 2017

<table>
<thead>
<tr>
<th>Case Type</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review on rejection</td>
<td>174,118</td>
</tr>
<tr>
<td>Invalidation</td>
<td>23,173</td>
</tr>
<tr>
<td>Review on cancellation</td>
<td>6,273</td>
</tr>
</tbody>
</table>

**Our overall impressions:**

If bad faith evidence is strong, chances are better than ever before.
# 3. Recent Reform of Gov. Relating to IP

<table>
<thead>
<tr>
<th>Old Structure</th>
<th>New Structure</th>
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</thead>
<tbody>
<tr>
<td>SIPO in charge of Patent</td>
<td>CTMO/TRAB merged into SIPO</td>
</tr>
<tr>
<td>CTMO/TRAB in charge of TM</td>
<td>TSB’s GI function merged into SIPO</td>
</tr>
<tr>
<td>TSB in charge of GI</td>
<td>SIPO merged into SAMR (State Administration for Market Regulation)</td>
</tr>
<tr>
<td>Copyright Office in charge of Copyright</td>
<td>Local AMR in charge of Patent/TM/GI enforcement</td>
</tr>
<tr>
<td></td>
<td>Copyright Office merged into Propaganda Dept. of CPC</td>
</tr>
</tbody>
</table>
3. Recent Reform of Gov. Relating to IP

NEW SAMR

Supervised by

NEW SIPO

Patent ad. functions

Trademark admin functions

Former SAIC
Former FDA
Former TSB

Appellations of Origin

merged
merged
merged
Numbers from Beijing IP Court (from Nov 2014 to Mar 2017)

- **13,558** trademark administrative litigations
- Partial cases (review on opposition and invalidation) involving bad faith - **30%**
## Statistics on TM Administrative Litigations 2017 (by TRAB)

<table>
<thead>
<tr>
<th></th>
<th>1st instance 6,330 cases – 1,594 lost (25.2%)</th>
<th>2nd instance 2614 cases – 977 lost (37.4%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reason of revocation</strong></td>
<td>2017 28.4% 8%</td>
<td>2017 22% 18%</td>
</tr>
<tr>
<td><strong>Change of situation</strong></td>
<td>2017 21.1% 20.5%</td>
<td>2017 18.8% 22.5%</td>
</tr>
<tr>
<td><strong>Similarity of marks</strong></td>
<td>2017 13.6% 11%</td>
<td>2017 12.6% 7.6%</td>
</tr>
<tr>
<td><strong>New evidence</strong></td>
<td>2017 13 % 12.6%</td>
<td>2017 9.1% 6%</td>
</tr>
<tr>
<td><strong>Non-use</strong></td>
<td>2017 6.8% 9.7%</td>
<td>2017 12.6% 7.2%</td>
</tr>
<tr>
<td><strong>Distinctiveness</strong></td>
<td>2017 5.4% 14.2%</td>
<td>2017 8.8% 10.6%</td>
</tr>
<tr>
<td><strong>Similarity of goods</strong></td>
<td>2017 5.4% 2.1%</td>
<td>2017 1.4% 2.3%</td>
</tr>
<tr>
<td><strong>A10.1.8</strong></td>
<td>2017 4.1% 4.5%</td>
<td>2017 2.7% 2.5%</td>
</tr>
<tr>
<td><strong>Coexistence protocol</strong></td>
<td>2017 2.3% 4.8%</td>
<td>2017 4.8% 5.8%</td>
</tr>
</tbody>
</table>
Thank You!

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