3 Key Differences in China

Amy Hsiao - Presented at China IP Roadshow USPTO

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Agenda

- 24 slides
- 3 key differences
- 1 story

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5 million Chinese trademark applications
January 2017 – November 2017
Difference #1 -
China Subclass system
Western ID \(\rightarrow\) very specific, based on use, literal

China ID \(\rightarrow\) **subclass** system

Meaning: “formally different”
Using Madrid or Typical Western Filing Strategies
Using the **Western** Way to Seek Protection in **China**

<table>
<thead>
<tr>
<th>Class</th>
<th>Total Subclasses</th>
<th>Subclass Coverage</th>
<th>Number of Subclasses NOT covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 1</td>
<td>16</td>
<td>- 0102 (industrial raw material) or 0106 (chemical reagent)</td>
<td>14</td>
</tr>
<tr>
<td>Class 5</td>
<td>8</td>
<td>- 0301 (medicine)</td>
<td>7</td>
</tr>
<tr>
<td>Class 9</td>
<td>24</td>
<td>- 0901 (computers/software) or 0910 (measuring/lab/scientific instruments)</td>
<td>22</td>
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<tr>
<td>Class 10</td>
<td>9</td>
<td>- 1001 (surgical/dental/vet apparatus) or 1003 (electronic/x ray/nuclear medical apparatus)</td>
<td>7</td>
</tr>
<tr>
<td>Class 40</td>
<td>15</td>
<td>- 4001 (custom processing and info for others)</td>
<td>14</td>
</tr>
<tr>
<td>Class 42</td>
<td>12</td>
<td>- 4209 (R&amp;D services) or 4211 (chemical research)</td>
<td>10</td>
</tr>
</tbody>
</table>

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This is Why...

- Already have Cl. 25 T-shirts → infringer: gloves
- Already have Cl. 28 fitness equipment → infringer: gym bags
- Hotel services vs. high end alcohol, furniture

Western vs. China Practice

- Prepare specifications
- Review watch notices
- Review and evaluate clearance searches
- Key question: Do you REALLY have rights in China?
Take Away Points

This is Why...

- US is specific $\rightarrow$ IR extension $\rightarrow$ China
- Over time:
  - Many \textit{oppositions}, still lose
  - Investment $$ but realize \textbf{no rights}

Conclusion:

- \textit{USA $\rightarrow$ go narrow; China $\rightarrow$ go broad}
Difference #2 –
Simple Rule – Use does NOT give rise to rights in China (95% of the time)

China rarely recognizes common law rights
Relevant Provisions in China’s Trademark Law

• **Article 13.2**

Where a mark is a reproduction, imitation, or translation of a third-party’s well-known trademark, which has not been registered in China, and where the goods are identical or similar, which may cause public confusion and damage the interests of the registrant of the famous mark, no registration shall be granted and the use of the mark shall be prohibited.

就相同或者类似商品申请注册的商标是复制、摹仿或者翻译他人未在中国注册的驰名商标，容易导致混淆的，不予注册并禁止使用。

• **Article 32**

No trademark application shall infringe upon another party’s existing prior rights. Nor shall an applicant rush to register in an unfair manner a mark that is already in use by another party and that enjoys substantial influence.

申请商标注册不得损害他人现有的在先权利，也不得以不正当手段抢先注册他人已经使用并有一定影响的商标。
Examples

Cartier – Class 14 jewelry vs. **Cl. 19 ceramic tile**
MICHELIN– Class 12 tire vs. **Cl. 09 acoustics**
Chanel – Class 03 perfume vs. **Cl. 19 ceramic tile**
BMW– Class 12 automobile vs. **Class 25 clothing**
Lipton- Class 30 tea vs. **Class 11 Refrigerator**

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A TALE OF TWO GIANTS IN CHINA:

WHY DID FACEBOOK WIN...

Two US brands recently battled brand squatters in China with very different outcomes. Facebook won. Apple lost. Jason Wang and Amy Hsiao look behind these different results for strategic insights. What are the key issues to bear in mind when an

...AND APPLE LOSE?

of this article as a catch-all bad faith provision was controversial because the law’s literal language gives the courts authority to go trademark rights, even where those rights are widely recognised outside of China. And it remains a jurisdiction full of pitfalls for the average brand owner. Brand squatting remains an active and

Publication with Beijing
Difference #3 –
What is a Chinese mark?

“Treasure horse”
(Concept)

Bottom line... 1 point
Top Case #1
The New Balance Case

Is it possible to be an infringer to YOUR OWN brand in China?
So ... what happened?

- Zhou owned a registration for “BAI LUN” (in Chinese characters) covering shoes since 1996;
- Zhou owned another registration for “XIN BAI LUN” (in Chinese characters) covering shoes since 2011;
- New Balance was using “Xin Bai Lun” to promote and sell its footwear products in China;
- New Balance’s lack of registrations for that mark for footwear senior to those of Zhou’s in China; and
- New Balance’s significant sales under the Xin Bai Lun mark, resulting in substantial profits available as damages for infringement.

In 2013, Zhou sued New Balance under trademark infringement.

<table>
<thead>
<tr>
<th>No.</th>
<th>Version #1</th>
<th>Version #2</th>
<th>Version #3</th>
<th>Version #4</th>
<th>Version #5</th>
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</thead>
<tbody>
<tr>
<td>Characters</td>
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<td>新平衡</td>
<td>纽巴伦</td>
<td>纽百伦</td>
<td>新巴伦</td>
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<tr>
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<td>XIN BAI LUN</td>
<td>XIN PING HENG</td>
<td>NIU BA LUN</td>
<td>XIU BAI LUN</td>
<td>XIN BA LUN</td>
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<tr>
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<td>Translation (new + balance)</td>
<td>Transliteration</td>
<td>Transliteration</td>
<td>Translation (new) Transliteration (balance)</td>
</tr>
</tbody>
</table>
Published Article!
New Balance Decision

- 1st court decision – USD $15.6 M
- 2nd decision – around USD $1M
- Also recognized:
  - Bad faith
  - Need to issue public statement to “erase negative infringement effect”
You probably have two questions...
Thank you.