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John Huang
Tel: +86 21 6105 0588
johnhuang@mwe.com

Qian Huang
Tel: +1 202 756 8291
qhuang@mwe.com

Patrick Ma
Tel: +86 21 6105 0550
pma@mwechinalaw.com

Suite 2806, Jin Mao Building
No.88 Century Boulevard
Shanghai Pudong New Area
P.R.China 200121
Telephone: +86 21 6105 0500
Facsimile: +86 21 6105 0501
www.mwechinalaw.com

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China's Supreme Court Issues New Rules on Trade Mark Litigation

China's Supreme Court recently issued "Provisions of the Supreme Court on issues concerned in the trial of cases of civil disputes over the conflict between a registered trade mark or enterprise name with prior right", clarifying when a court should accept a civil complaint against an infringing trade mark registered in China, or a trade name. This new judicial interpretation (the Interpretation) took effect on 1 March 2008.

According to the Interpretation, a court will accept a lawsuit filed by a plaintiff alleging that some character or graphics used in a trade mark registered by the defendant infringes the plaintiff's copyright, design patent, right to enterprise name or other prior right.

In contrast, if a lawsuit filed by a plaintiff involves conflict between two registered trade marks, and the plaintiff alleges that a trade mark registered by a defendant is identical or similar to the plaintiff's prior registered trade mark, the court will not have jurisdiction over the case. In this case, the plaintiff should submit such a complaint to the registration authority, *i.e.*, the Trade Mark Review and Adjudication Board (TRAB) for settlement. (TRAB handles appeals relating to a refused registration and opposition decisions made by the Chinese Trade Mark Office as well as cancellation actions, brought to cancel a registered trade mark.)

There are exceptions, though. The Interpretation provides that a court will have jurisdiction over a complaint in which a plaintiff alleges that a defendant used a registered trade mark identical or similar to that of the plaintiff beyond the scope of the registration, or in such a way that it has changed the distinctiveness, division or combination of the defendant's registered trade marks. Although the Interpretation clarifies jurisdiction issues, it also reflects a subtle balance between the Chinese courts and TRAB under the current political framework in China. Under this newly balanced division of jurisdictional authority, some intellectual property (IP) owners can avoid having to go to TRAB before launching a civil action in the court system in China. Specifically, if a party's prior art involves a copyright, a design patent or a trade name, the party may take the owner of an infringing registered trade mark to a court directly. However, if a party complains that his or her registered trade mark is being infringed by another trade mark registered by another, the party may still have to file a cancellation action at TRAB.

Difference in division of jurisdictional authorities between TRAB and courts in China has a potential impact on trade mark owners. For example, because of current backlog at TRAB, a case brought to TRAB may not be heard for five to six years. This delay often jeopardizes or frustrates IP owners' IP rights and enforcement efforts in China. However, currently, the average length of time a Chinese court takes to award damages is only six to 15 months.

The Interpretation also takes a big step towards hearing conflicts of trade names. In China, the registration, change and deregistration of a trade name is administered by various local level branches of the Administration of Industry and Commerce, and identical or similar trade names usually exist in different neighbouring regions under such a regime. As a result, unfair competitions may arise. The Interpretation now empowers the courts to order a defendant to stop or regularize the use of a trade name, and assume other corresponding civil liabilities (such as damages) in unfair competition cases.

The Interpretation provides IP owners with a higher degree of freedom and flexibility in coordinating their enforcement activities against complicated copycats or free riders in China.