



IP NEWS

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THE THEME

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Patent practice - The significance of punitive damages of the revised Patent Law

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Graduated from Wuyi University, Ms. PENG works as an IP paralegal joining Jiaquan IP Law in 2015, and she is experienced in handling trademark availability search, application, opposition, invalidation, cancellation and administrative litigation. At the same time, she has accumulated experience in handling copyright registration as well as IPR Customs Recordance. She is familiar with the Chinese IP laws and related regulations, which allows her to provide every client with the best suggestion.

After a registration becomes invalid, could a later filed identical/ similar mark mature into a registration smoothly? In China, there is a one-year quarantine period described in Article 50 of the Chinese Trademark Law that any identical or similar trademarks shall not be approved within one year after a registration was expired, canceled, or invalidated.

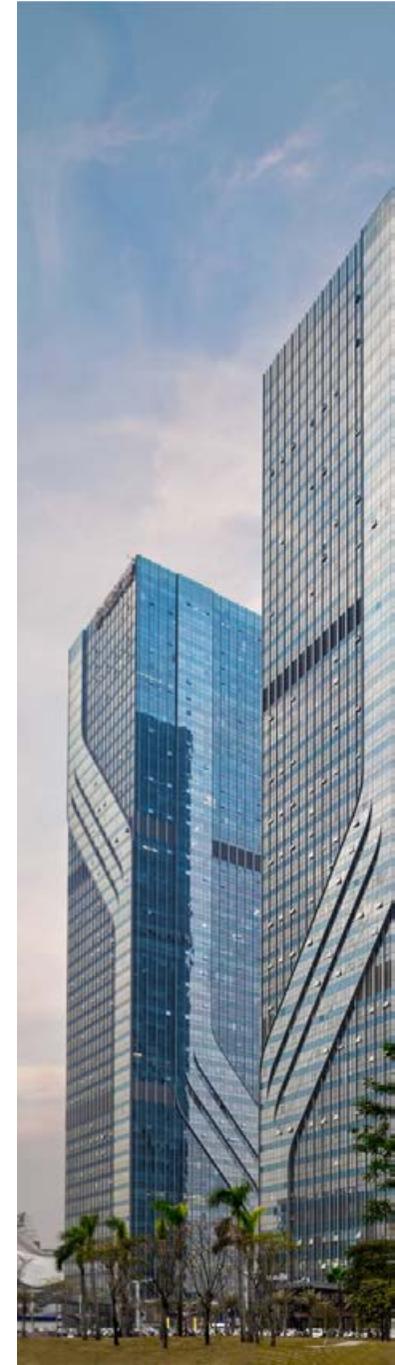
The purpose is to make sure the trademark registrants have enough time to withdraw their trademarks from the market and to prevent any potential confusion about the source of goods among consumers.

There's one exception, though, that the registration has been canceled by non-use cancellation. As the goods or services have not existed in the market for three consecutive years, the legislative purpose of the "one-year quarantine period" in Article 50 has been satisfied. Therefore, the above regulation will not apply to such invalid marks.

If the new application is filed by the same registrant(s), it will not be hindered by their old registration(s).

In recent practice, we notice that the one-year quarantine period seems not applied to some cases that are under the circumstances above. In September 2020, we received a positive invalidation decision which decided the prior registration shall be invalidated because the trademark was filed in bad faith. The trademark holder did not appeal and the prior registration was officially declared invalid in January 2021. According to Article 50 of the Trademark Law of the People's Republic of China, our client's mark should be refused from registration until the one-year quarantine is over. However, shortly after the prior registration became invalid, our client's application was approved for publication in February 2021.

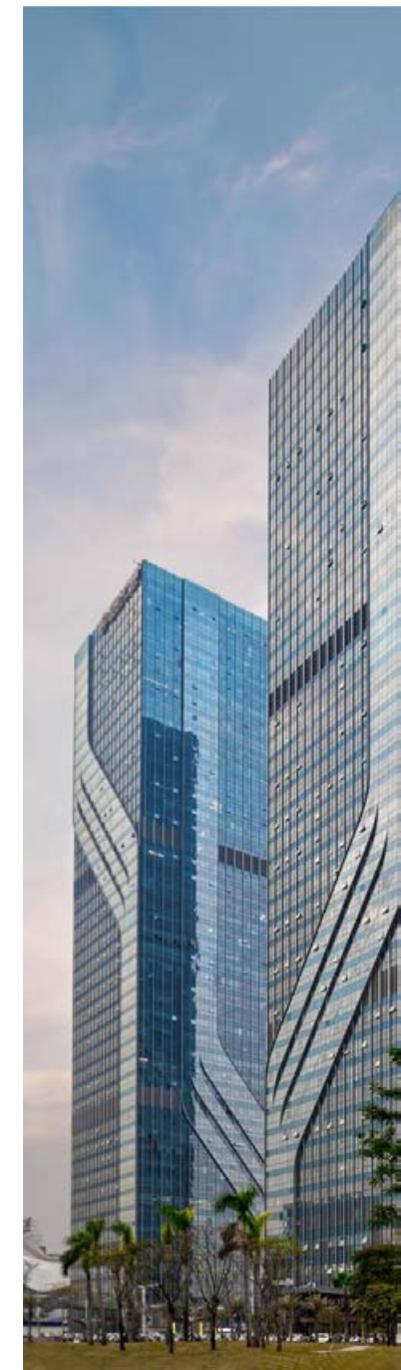
We suppose the Trademark Office makes this exception to simplify the procedures. The dead prior registration is the only obstacle that hinders the



client's mark from registration. If this undesirable invalid registration still hinders the righteous holder to obtain trademark right in China, the one-year quarantine period would be a waste of process, and may not be in the line with the principle of justice.

Legal basis:

Article 50 of the Trademark Law of the People's Republic of China *Within one year from the time where a registered trademark is canceled or declared invalid, or is not renewed upon the expiry of its validity period, the trademark office shall not approve any application for registration of a trademark identical with or similar to the aforesaid trademark.*



Patent practice - The significance of punitive damages of the revised Patent Law

Amber

In China, there are mainly two principles for determining damages in patent infringement cases. One is the compensatory principle and the other is the punitive principle. Before the fourth revision to the Patent Law, China adopts the compensatory principle as the main criteria for determining damages, supplemented by the punitive principle. According to the Law, damages are firstly determined by the actual losses suffered by the patentee and then the profits gained by the infringer as a result of the infringement. However, it is generally difficult to access and prove the patentee's losses or the infringer's profits. Therefore, the amount of compensation of most cases is decided by the judges based on the nature of the infringement, value of the patent, value of the patented product in the market, and other factors within the range of statutory damages. Due to the lag and balance of the Laws, the range of statutory damages is generally low. Moreover, a judge's understanding of the market value is relatively conservative, which results into lower amount of compensation within the range of statutory damages to actual losses. Consequently, patentees' legitimate rights and interests have not been effectively protected. In addition, the low cost of infringement also makes it difficult to eliminate the frequent occurrence of patent infringement.

A specific clause on punitive damages was added to the new Patent Law, which is where the situation is serious for willful infringement, the amount of compensation may be determined between one and five times the amount determined according to the actual losses of the patentee,

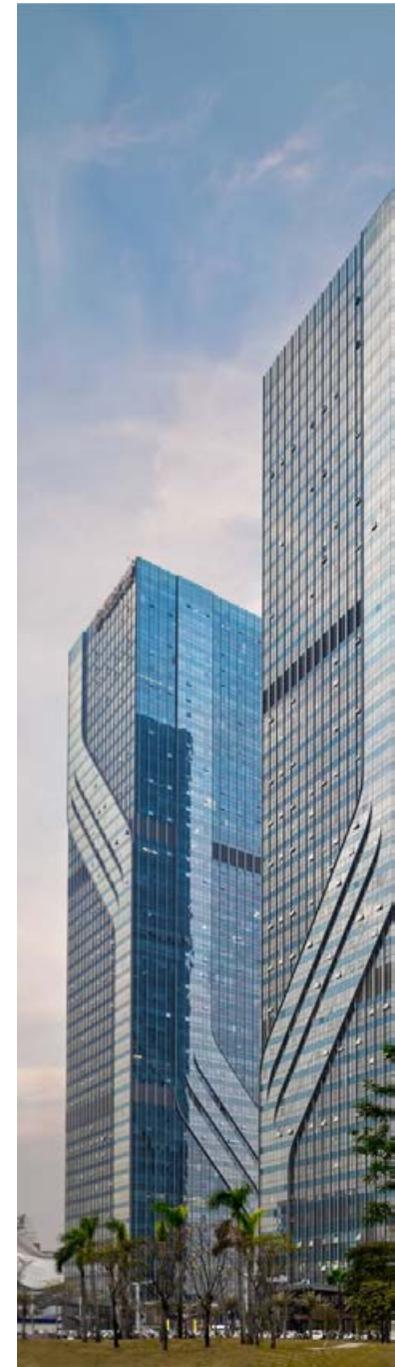
the illegal profits of the infringer, or the reasonable multiple of the license fee.^[1]

According to the Patent Law, a claim for punitive damages must meet two requirements, which are "willful infringement" and "serious circumstance". The Supreme People's Court recently issued an official document for the interpretation of punitive damages applied in the trial of civil cases of infringement of intellectual property rights.

In the determination of willful infringement, the people's court shall comprehensively take into consideration the type of the infringed intellectual property object, the status of rights and popularity of the relevant products, the relationship between the defendant and the plaintiff or interested parties, and other factors.

For the following circumstances, the people's court may preliminarily determine that the defendant has the intention to infringe on intellectual property rights.

- (1) The defendant continues to commit the infringement after being notified or warned by the plaintiff or the interested parties.
- (2) The defendant or its legal representative or custodian is the legal representative, custodian, or actual controller of the plaintiff or interested parties.
- (3) The defendant has labor, service, cooperation, licensing, distribution, agency, or representative relationships with the plaintiff or interested parties, and



has been in contact with the infringed intellectual property rights.

(4) The defendant has business dealings with the plaintiff or interested parties or has negotiated for contract, and has been in contact with the infringed intellectual property rights.

(5) Other circumstances that can be determined as willful.

In the determination of serious infringement of intellectual property rights, the people's court shall comprehensively take into consideration the means of infringement and frequency, the duration of the infringement, the geographical scope, the scale, the consequences, the infringer's actions in the lawsuit, and other factors.

If the defendant has the following circumstances, the people's court may determine the circumstances to be serious.

(1) Committing the same or similar infringement again after being punished by an administrative penalty or judged by a court to assume liability for infringement.

(2) Taking infringement of intellectual property rights as a business.

(3) Forging, destroying, or concealing evidence of infringement.

(4) Refusing to perform the preservation ruling.

(5) Gaining great profits from the infringement or the right holders suffer great losses.

(6) The infringement may endanger national security, public interests or personal health.

(7) Other circumstances that can be determined to be serious.^[2]

It is a great breakthrough in the revision of the Patent Law that the punitive clause is clearly written in the law so that judicial practice can have a legal basis. The clear expression of the punitive clause provides a guideline to the judicial personnel to not only compensate the actual losses of the patentees but also to further impose economic punishment on willful infringers with serious circumstances in the trial of infringement cases. This will increase the economic burden of willful infringers, help curb and crack down willful infringement.

[1] Article 71, Patent Law of the People's Republic of China (2020)

[2] Interpretation of the Supreme People's Court on the Application of Punitive Damages in Civil Cases of Infringement of Intellectual Property Rights, No. 4, Judicial Interpretation[2021]

