KILPATRICK TOWNSEND

8 KEY TAKEAWAYS

Trademark Enforcement in China: Power of Precedent

Kilpatrick Townsend partner Christopher Woods, who leads the firm's Beijing office, and associate Sindy Ding-Voorhees recently joined Lisa Chin, Facebook, Inc., Lead Counsel, Brands and Marketing Legal; and Collette Parris, S'well, Senior Corporate Counsel, to present "Trademark Enforcement in China: Power of Precedent." The presentation occurred at Kilpatrick Townsend's annual "2019 Advancement Trademark Law Seminar" in San Francisco.

Eight key takeaways from the presentation, include:

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Does precedent exist as a legal concept in China, and if it does are the courts and trademark authorities embracing and using it in respect of the issues facing brand owners? Common law is based on the principle of *stare decisis*—legal precedent establishes the law. Civil law jurisdictions do not generally adopt this principle, although their courts usually take past decisions into account as a matter of consistency and uniformity.

China is a civil code country but its courts and its Trademark Office and Review Board (now collectively under the umbrella acronym of CNIPA) have tended to be entirely uninfluenced by prior decisions. The law in China is not drawn from the decisions of the courts or CNIPA, and traditionally any attempt to adjudicate a case based upon the decision of an earlier case would have no basis at all in law. Every case should be decided entirely on its own merits.

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This has been undergoing a deliberate process of change. The Supreme People's Court ("SPC") introduced the concept of precedent in what it called its Guiding Cases System ("GCS"). Under this system it now publishes annually a number of cases that are intended to aid courts in interpreting, clarifying or refining statutes and regulations where there are ambiguities in the law, or the law itself is very broad. All courts are now expected to make reference to Guiding Cases when dealing with similar facts or matters of law in order to "limit judicial discretion and unify the standard of application of law".

Following on from this, the Beijing IP Court has now set up a "system of using prior judgments to guide trial work". Lawyers appearing before it are encouraged to identify and present what they regard as relevant precedents, and judges are allowed to refer to specific precedents as having guided their judgments. Decisions of the SPC, and the IP Court's own previous decisions are binding on it.

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The introduction and adoption of precedent has aided in the consistency, transparency and credibility of judgments from the IP court over the past two years. Lack of consistency and predictability generally are the very things that have so undermined brand owners efforts to create strategies in China regarding the protection and enforcement of their trademarks. As a result of these changes there has been a growing ability for counsel to predict the likelihood of success in a case before the Beijing IP court and indeed to assess with some degree of confidence the viewpoint of the court on particular issues. It is now possible to use services such as Itslaw (无讼), IP House (知产宝) for case searching and retrieval of cases (guiding and non-guiding cases), using keywords (names of parties, counsel, judge, court, and even issues-at-dispute) analogous to Westlaw's and LexisNexis' products.

In addition to the growing use of precedent in the Beijing IP Court, there has been another related development in CNIPA which is intended to lead to improvements in the overall consistency of its decisions. Traditionally CNIPA decisions have been entirely on a "case-by case" basis, and decisions have often been entirely inconsistent with each other. Two years ago CNIPA announced that it would publish Review Board decisions on its website, and since then CNIPA has continued to refine its own ability to refer to and be referred to its own prior decisions and to relevant court decisions.

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This has had a positive and ongoing effect on several of the most vexing problems facing trademark owners in China, including:

- Bad faith filings
- Examination standards
- Sub class issues
- Defensive programs
- Opposition standards and issues
- Use issues and non-use cancellation evidence
- Chinese character mark issues
- Protection of TM rights through copyright and design patents
- Unfair competition issues
- OEM Manufacture

These and other issues continue to confront brand owners in China today. Some have been around for years and some are relatively new. Over the past two years, it is clear that real efforts are being made by the government, the courts and CNIPA to address the problems. In a country where there is so much trademark activity – prosecution and enforcement – the problems can appear to be overwhelming. But the introduction and implementation of precedent by the courts and CNIPA has undoubtedly had an impact on the way in which both prosecution and enforcement in China is becoming gradually more predictable for brand owners.

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