

Key Takeaways From Recent Changes To TM Laws Abroad

By **Wendy Cheng and Lauren Ralls** (April 27, 2021)

A global pandemic isn't the only major event that has affected the practice of trademark law over the last year.

For brand owners already reeling from workplace and business changes brought about by the crisis, there are also substantial changes to international laws that have an impact on their global trademark portfolios.

This article offers takeaways for best practices in China now that the dust has started to settle on monumental changes to its trademark law over the last few years, as well as the key elements and practical implications of developments following Brexit and changes in Mexico's trademark practice.

China

China is one of the most attractive markets for various brands due to the sheer size of China's population. By the end of 2019, China had already reached a total population of 1.4 billion.

This dynamic market represents an enormous opportunity for businesses. Whether brand owners are interested in entering this particular economy or have already laid down a certain foundation in China, protecting their brands and trademarks in China should be one of their top priorities.

Here are some novel and straightforward techniques that could help a brand owner to protect its trademark rights in China, after the country's trademark law was amended in 2019.

Takeaway 1

Brand owners should file trademarks in China as early and as broadly as possible, as China is a first-to-file jurisdiction. Using a mark in China does not give companies trademark rights. Having trademark registrations is the only way to obtain exclusive trademark rights on products or services in China.

Thirteen years ago, China had approximately 640,000 trademark filings for the entire year. In recent years, the trademark application numbers had increased dramatically. There were approximately 7.3 million applications filed in 2018, 7.8 million applications filed in 2019, and 9.1 million applications filed in 2020.

In China, a trademark applicant is not required to present use of a mark or declare an intention of use upon filing. The only documents that are required by the China National Intellectual Property Administration are: (1) an application form; and (2) a copy of the applicant's business license or a Certificate showing that the applicant is an active business.

Compared to other jurisdictions, filing costs in China are comparatively less expensive. We have seen numerous instances in which a brand's mark had already been registered by a



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Chinese entity or individual in China before a brand had entered the market. As a result, filing trademarks in China as early as possible is a fundamental step in protecting trademark rights in China.

China also adopts a unique subclass system, which breaks up a class into different subclasses and subgroups. Goods and services that fall in different subclasses or subgroups are regarded as dissimilar to each other even if they are categorized as belonging to the same class.

For example, tablet computers and smartphones both fall in Class 9, but tablet computers are categorized in Subclass 0901, and smartphones are assigned to Subclass 0907. Because they fall in different subclasses, these products are considered to be different from each other in China despite the fact that they contain similar components, features and functionality.

In other words, if a trademark registration only covers tablet computers in Subclass 0901, a third party may obtain a registration for an identical mark in the same class covering smartphones in Subclass 0907. Unless there are clear obstacles in a particular subclass or subgroup, a trademark application should cover all subclasses and subgroups in a class of interest.

Takeaway 2

Lack of prior trademark rights in a particular class is no longer fatal. Brand owners can still enforce IP rights based on the copyright claim, the bad faith claim, and the well-known claim.

In addition to obtaining trademark registrations in China, another essential approach in protecting trademark rights is to monitor and object to third-party published applications or registrations that are identical or confusingly similar to an existing trademark. An opposition is to be filed against a published application in China. An invalidation action is to be filed against an existing registration.

The most common grounds asserted in an opposition and/or invalidation action are based on Article 30 and Article 31 of the China Trademark Law, under which a petitioner argues that the disputed mark is similar to a petitioner's preexisting registered trademark and covers similar goods or services.

But, what if a business or a brand owner does not have prior trademark rights in a particular class or particular subclass, does that mean opposition or invalidation actions are unattainable?

A straightforward answer is: No. There are other grounds that can be relied on even if prior trademark rights are in absence. For example, a claim of prior copyright rights could be a prevailing basis if the disputed mark is identical or confusingly similar to the prior copyright rights. China is a member of the Berne Convention for the Protection of Literary and Artistic Works. Therefore, a petitioner is allowed to claim copyright rights outside of China as long as the alleged copyrights were registered in a member country of the Berne Convention.

Another basis that can be relied upon, in the absence of prior trademark rights, is to demonstrate that the disputed mark was filed in bad faith. The China Trademark Law was amended in 2019, and a new provision was included in Article 4 of the law. This new provision indicates that "a bad faith application for a purpose other than use shall be

rejected."

It also allows Chinese examiners to reject and cancel malicious trademark applications and/or registrations despite the fact that a petitioner of an opposition or invalidation action does not have prior trademark rights in China.

Last but not least, if a mark has been recognized as a well-known or high-fame mark in China, those statuses can also be asserted in support of an opposition or invalidation action when prior trademark rights do not exist in a particular class or subclass.

Takeaway 3

Brand owners should always contest an unfavorable nonuse cancellation decision. The examination standards adopted by examiners at the first level and the review board level are different. Very often, the examiners at the first level accept questionable or bogus evidence.

We usually recommend filing appeals against unfavorable nonuse cancellation decisions so that companies have the opportunity to review the submitted use evidence then decide whether to submit arguments challenging the submitted evidence.

Another way to remove a registered trademark in China is through a nonuse cancellation action. This type of action can only be filed against a registration that has been registered for more than three years in China. If the owner of a disputed registration does not submit use evidence within the allowed time frame, the disputed registration will be cancelled.

If, however, the owner of a disputed registration does submit use evidence within the time frame, the first-level examiner would review the submitted evidence and issue a decision. There is no exchange of evidence at this level, and the petitioner will not be allowed to review the submitted evidence. The only way to review the submitted evidence is to contest an unfavorable decision by filing an appeal to the review board.

Once an appeal has been filed, the submitted evidence will be forwarded to the petitioner for review, and the petitioner is entitled to file arguments challenging the submitted use evidence.

In practice, we have encountered a number of cases where accepted use evidence contains major defects. The examination standards adopted by the review board are stricter than the standards adopted by the first-level examiners.

Unless there is a clear indication of use of a mark on the registered goods or services, it is worthwhile to appeal an unfavorable decision so that the petitioner of a nonuse cancellation action has the opportunity to review what was submitted before deciding the next steps.

The United Kingdom

The possible impact of Brexit has been a hot topic in the trademark world for the last few years. Now that Brexit is a reality, it is affecting filing programs, enforcement strategies and budgets.

As of Jan. 1, 2021 the U.K. was no longer a member of the European Union. As a result, the U.K. was no longer protected under an EU trademark registration. What is the impact of Brexit on an existing trademark portfolio? The answer depends on the status of companies'

EU filings at the time of Brexit.

Following Brexit, if the EU trademark or international registration designating the EU was registered on or before Dec. 31, 2020, the trademark holder automatically received a cloned U.K. registration that mirrored the underlying EU trademark registration, including the owner, the mark, the goods and services, and the priority filing date.

If the EU application was still pending after Dec. 31, the brand owner must take action by Sept. 30, 2021 to receive protection in the U.K. No U.K. clone will be automatically created for EU application that did not register before Jan. 1. Instead, brand owners need to engage U.K. counsel to file a new U.K. national application that relies upon the original EU application for its priority date.

Takeaway

Aside from the procedural technicalities, Brexit will have a practical impact on almost any large global portfolio. For example, the automatic cloning of U.K. filings from EU registrations can bloat portfolios that may already be large and difficult to manage.

Brand owners should evaluate whether the automatically cloned U.K. filings are actually necessary for their businesses. This can be done either with an audit now, or on a case-by-case basis as the filings come up for renewal. Without such an audit, the brand owners may face increased costs and portfolios containing a large number of unnecessary filings.

Trademark owners should budget for additional U.K. filings and searches going forward, as EU searches will not cover U.K. uses and filings. It is also important to review any existing and future agreements or licenses to see how the EU is defined, and whether separate coverage for the U.K. should be addressed. Finally, clients should remain mindful that U.K. courts will no longer be able to grant EU-wide relief, as this may impact the preferred jurisdiction for enforcement actions.

Mexico

There is now only one official action in Mexico — the opposition response, and final allegations are all forwarded together to the examiner for consideration during substantive examination.

As for the practical effects of this change, if a party opposes another's mark:

- It does not suspend the application process, and
- It does not automatically determine the outcome of the examination by the trademark office.

Instead, the examiner will either grant the registration or issue a provisional refusal based on the opponent's trademark or any other prior registration that he or she considers as an obstacle for the application involved or may reject the application based on other grounds. If the provisional refusal arises, the applicant gets a chance to respond.

Takeaway

Traditionally, trademark applications are rejected in Mexico when they reproduce totally or partially a prior registered element and cover the same, similar, or related goods or services.

This leads to an interesting dilemma for trademark owners. Should trademark owners forego the opposition process and rely on the possibility that the trademark office will reject the filing based on its company's prior mark? In almost all instances, it is best for a company to move forward with an opposition following publication instead of relying on the trademark office to identify the conflict with its filing.

Even if the marks are identical and for very similar goods or services, the best practice is to err on the side of opposing the application and raising the conflict with the examiner.

The likelihood of success is higher at the beginning of the process than it likely would be in a follow-up cancellation action. In addition, because court cancellations actions are more expensive and time consuming, the opposition process may ultimately end up being the most cost-effective option in the long run.

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