

Five Issues You Should Know in the PRC Trademark Law Draft

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The current PRC Trademark Law (“Law”) was implemented in 1983, and revised in 1993 and 2001, and it has played a significant role in supporting the development of the PRC social economy since its implementation. However, the current Law is complained a lot in practice mainly because the registration procedure is fairly complex and time consuming, bad faith registration is common and difficult to stop and it provides insufficient protection against trademark infringement. Thus, the latest draft of revision of PRC Trademark Law Draft (“the Draft”) has been released and was open for any public comments until January 31, 2013. Generally speaking, the Draft addresses to the above mentioned issues. A detailed explanation of some key interesting proposed changes for multinational companies (“MNCs”) is as follows:

- **Expansion of Non-traditional Trademark Registration**

The Draft proposes to accept non-traditional trademark registration to cover sound and also to cover single color (if the single color has obtained the acquired distinctiveness through use).

- **Procedure Facilitation**

The Chinese Trademark Office (“CTMO”) has already allowed electronic filings for several years on a trial pilot program, such practice is now officially proposed to be explicitly written into the Law in this Draft.

Furthermore, the Draft also proposes that the applicant can submit one registration application for a trademark covering multiple classes. The current practice only allows the filing of one trademark in one class and additional trademark applications were required for different classes.

Moreover, the practice of office action is proposed to offer trademark applicants an opportunity to present addition argument and evidence for their registration during the CTMO procedure.

Last but not the least, the extension of time limit for appeal is also proposed: instead of 15 days in the current practice, the draft proposes 30 days. In summary, these new proposed procedures generally follow the international trend and the hope is that they will also work in China.

- **Material Change in Opposition Procedure**

It is worthy of special mention that the CTMO’s opposition procedure was materially changed in the Draft. Firstly, it strictly limits the opposition party and the grounds for their opposition. In the past, any party could oppose any trademark on any grounds (i.e., absolute ground or relative ground), but the Draft only allows the owner of prior right or the interested party to lodge opposition on relative ground

before the trademark is registered. This change will reduce the number of opposition cases and help alleviate the unfaithful opposition problem.

Moreover, if the opposition is denied by the CTMO, the CTMO will allow the registration immediately and no longer have the application pending until it is resolved in the following appeal procedure. The opposing party's only recourse in invalidating trademarks is through a new procedure – "invalidation". As MNCs are generally the party who files these oppositions, this change will greatly affect the trademark strategy of MNCs in China. If an MNC loses their opposition filing, they can only attempt to invalidate the trademark and will face the disadvantageous situation of the unfaithful applicant receiving the registration. Therefore, in the past, the unfaithful applicant would be unable to register the trademark until the situation was resolved, but under the Draft, the unfaithful applicant will be allowed to use the trademark until it has been invalidated. In this regard, it is highly recommended for MNCs to focus on opposition first, instead of the previous practice of initiating other causes of action in court as a priority.

- **The Conflict of Trademark and Trade Name**

The Draft makes it clear that the Anti-Unfair Competition law will be applied if any company uses a well-known trademark or other registered trademark as a trade name and causes public confusion.

- **A More Trademark Owner Friendly Burden of Proof System**

The Draft proposes the punitive damages, this is the first time for punitive damages to be introduced in the trademark system to punish severe trademark infringement activities and the damages will be 1 to 3 times the profits earned/the loss suffered (License fee can be a reference) due to the infringement. Furthermore, the Draft proposes to increase the cap of default compensation from RMB 500,000 to RMB 1 million.

Additionally, the disputed infringer will be required to provide its financial books as evidence to show profits, which was difficult for trademark owners to obtain previously, failing to do so means that the only evidence the court will use to calculate such damages will be based solely on the evidence provided by the trademark owner.

Moreover, it is also worthy of mention that the Draft proposes no compensation to the trademark owner if trademark owner cannot prove its use of the mark in the past three years and cannot prove any other loss suffered.

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