Five Issues You Should Know in the PRC Trademark Law Draft
By Cecilia Lou, Xianjie Ding and Di Yao, King & Wood Mallesons, China

First published on China law insight

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.

For more information, please contact:

Published on www.country-index.com
Ms. Cecilia X.Y. Lou specializes in intellectual property law and her practice encompasses commercial IP and licensing, enforcement, portfolio management, dispute resolution, and patent and trademark prosecution. Ms. Lou has over sixteen years of IP practice experience in a wide array of technologies and industries, including mechanical and electronic industries, aircraft, energy, new material, steel and metal alloy, semiconductor manufacture and equipment, medical device, computer software, health care, food and consumer products, chemistry and pharmaceutical industries.

Ms. Lou counsels clients on commercial transaction of IP, including public offerings, private equity investments, strategic alliances, technology transfers, jointly R&D or outsourcing research issues. She has advised clients in IP due diligence, IP audits, Freedom-To-Operate research, IP risk clearance, and technology evaluation. She also frequently represents clients in technology transaction negotiation, drafting and reviewing jointly research contracts and corporate governance documentation on confidentiality, non-compete, and inventor’s compensation issues.

Ms. Lou has an active patent and trademark prosecution practice and advises clients on filing strategies, ownership arrangements, inter partes proceedings before the Patent Appeal Board and the Trademark Appeal Board, and judicial review of administrative decisions.

Ms. Lou joined King & Wood Mallesons in 2006 as partner, prior to which she was a managing partner of SINKO IP.

Ms. Lou received her Bachelor of Science degree in engineering from Dalian University of Technology in 1992. She completed an advanced computer software engineering program at Shanghai University in 1994 and a master program in laws from the China University of Political Science and Law in 2004. She obtained her degree of Master of Law in Intellectual Property Law in 2007 from the John Marshall Law School in Chicago, IL.

Ms. Lou was admitted as a trademark attorney in 1995 and a patent attorney in 1996. Her working languages are English, Mandarin, and Shanghai dialect.
Ms. Lou is a member of ACPAA, LES, AIPPI, INTA and AIPLA.
Mr. Xianjie Ding specializes in intellectual property matters, including national and international patent and trademark searches, applications and prosecutions, due diligence, licensing and IPR assignment, IP management, as well as supporting litigation, consulting on IP strategies, and IP portfolio management.

Mr. Ding joined King & Wood Mallesons in 2010. Prior to his joining King & Wood Mallesons, he practiced in other two IP firms in Shanghai since 1990. Mr. Ding was admitted as a patent attorney in 1991 and as a trademark attorney in 2000. He received his master degree in Library and Information Science with major of patent information from East China Normal University in 1990.

In addition, Mr. Ding is a member of All China Patent Agent Association, and a member of International Trademark Association.

Mr. Ding is proficient in Chinese and English.

Mr. Di Yao focuses on IP and corporate practice including advising on general corporate issues, licensing, franchising, co-operation and technology transfer matters, and assisting clients as an IP specialist in internal compliance, mergers, acquisitions, and public listings.

Mr. Yao has a good understanding of both corporate and IP issues and is proficient in assisting multinational and domestic companies on both non-contentious and contentious matters. He works with clients by conducting due diligence, participating in negotiations, drafting the agreements and engaging in litigations. The clients he assisted include leading companies in the industries of chemical, life science, energy, oil, gas, consumer products, retail, education, internet, computer hardware, software, e-commerce, biotechnology, and financial services.

Mr. Yao joined King & Wood Mallesons in February 2009.

Mr. Yao worked in a European law firm A&L Goodbody as a visiting solicitor endorsed by Prime Minister of Ireland, ICON plc, and Jaguar Land Rover as a visiting in-house lawyer in 2012.