

New PRC Trademark Law & Draft Implementing Regulations

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1. Review of the changes in the China Trade Mark Law and the Proposed Changes in Its Implementing Regulations

The new China Trade Mark Law (the “Law”) has already been published for several months since August 2013, and shall take effect as of 1 May 2014. The amendment on the law has resulted in several changes both substantially and procedurally, such as introducing good faith principle, adding sound mark as a new type of mark, stipulating the use of well-known trade marks (the “WKTm”) in commercial activities, modifying the framework of opposition and invalidation, and largely increasing the punitive damages and penalty amounts, etc.

Accompanying the amendment on the Law, its Implementing Regulations (the “Regulations”) which further particularise the enforcement of the Law have also been undergoing the revision procedure by the governing authority, the State Administration of Industry and Commerce (“SAIC”) since August 2013. On 10 January 2014, the Legislative Affairs Office of the State Council, upon receiving the SAIC’s proposal for approval of the Draft, announced the Draft (for Approval) of the Regulations (“Draft”) to the public. After collecting opinions and comments from the public, the Draft shall be further studied by the State Council. Therefore, it is still unknown when the draft Regulations can be finalized.

Compared with the current Regulations, the Draft has updated the Regulations in accordance with the new Law, to fill up several controversial or blank areas, and to reflect some good practices that have been adopted or suggested by the governing authorities. The number of rules has also been increased to 111 from 59 in the current Regulations.

This article aims to select several of the major changes or possible changes in the Law and Regulations, and provide some analysis from a practitioner’s view for trade mark right owners.

2. Analysis on the Specific Amendments and Comments

(a) Introduction of Good Faith Principle in Article 7

Article 7 (1): When applying for the registration of a trade mark and using a trade mark, the principle of good faith shall be followed.

The principle of Good Faith, being an important principle in Chinese civil laws and regulations, has long been specified as a rule of law in the Civil Act and other civil laws. The Good Faith principle requires the parties in civil legal acts to act honestly and be truthful to his own commitment. It is deemed as a legal regulation that carries moral consideration.

In the absence of the “Good Faith” principle in the Law, the claim of “Good Faith” in trade mark oppositions and cancellations under the Civil Act has rarely been held tenable by the trade mark governing authorities and Courts. It is generally considered that trade mark matters have been regulated under the Trade Mark Law, and the guiding principles in the Civil Act is too general to be applied.

Now, with Article 7(1) of the new Law, the claim over Good Faith finally gets a legal basis. This article is generally seen as a way to fight against trade mark squatting and improper registrations. However, this is still a broad regulation, and is not included in Article 33, 44 and 45 as a ground in oppositions and invalidations. Therefore, it remains to be seen how to define Good Faith in trade mark application and utilization matters, and to what extent this principle can be adopted to cease improper registrations and applications in practice.

(b) WKTMs Prohibited from Promotion in Commercial Activities

Article 13(5): The manufacturers and business operators shall not use the words “Well-known Trade Mark” on its goods, or packages and containers thereof, or use such words in advertising, exhibitions, or other business activities.

The WKTM protection system was regulated in law with a view to rendering broader protection for genuine trade mark owners whose trade marks are widely known and recognized among the public. It is expected to be adopted mainly as a strategy against improper registrations by “copycats” or trade mark “squatters”. However, due to lack of any detailed governing regulation, the WKTM protection has been frequently viewed as insufficient in China in the past. Many trade mark owners treated the WKTM as an honour or an advertising tool to attract customers. Some even used fake materials to gain the “well-known” status. In some cases, the local authorities (mainly the Courts and the Administration of Industry and Commerce – AIC) abused their power and used the WKTM system as a cover for local protectionism.

Hopefully, the new Law will improve such situation.

(c) Conditions of “Prior Knowledge” Further Specified in Article 15

Article 15(2): Where a trade mark applied for registration is identical or similar to one of the other party’s previously used unregistered trade mark in respect of identical or similar goods, and where the applicant has prior knowledge of such other party’s trade mark through contractual, business or other relationship that does not constitute the relationship in the previous clause, upon opposition by such other party, the trade mark shall not be allowed for registration.

Under Article 15 of the old Law, only the genuine trade mark owner’s “agent” or “representative” is forbidden to register its trade marks, which is clearly inadequate to cover the various conditions where the applicant acting in bad faith comes to know of the other’s trade mark but are not “technically” the genuine owner’s agent or representative. The new Article 15 retains the same regulation in the old Article which covers “agent” and “representative” as Clause 1, and is supplemented with a Clause 2 as indicated above. The Clause 2 literally includes all kinds of relationship between the genuine owners and trade mark applicants, and will effectively allow the genuine owners to fight against improper registrations by the parties that became aware of its trade mark through such relationship.

However, when compared with Clause 1 in the old Article 15, the scope of protection in Clause 2 is restricted to “identical or similar goods (or services)”. It remains to be seen

whether or not the governing authorities and the Courts will take a less rigid approach to determine similarities between goods/services beyond the restrictions of the Chinese Classification Manual of Goods/Services, or will adopt a broader way of interpretation of “agent” or “representative” in order to cite Clause 1 on more occasions.

(d) Multi-class Applications in One Single Application

Article 22(2): When applying to register one trade mark, the applicant may apply by virtue of one application in respect of multiple classes.

This new regulation shall enable the applicant to apply the same trade mark for multiple classes in a single application, which hopefully will bring more convenience and efficiency to the trade mark owners.

Accordingly, Article 24 of the Draft has introduced a “Divisional System” for such multi-class applications.

Article 24 (Draft Regulations): The division of trade mark registration application as regulated in these Regulations means that when a trade mark application is partially refused, the applicant shall be entitled to divide the preliminarily approved part as a new application, which shall retain the application date of the original application. The divisional application shall be filed with the CTMO within 15 days upon receipt of the Notice of Partial Refusal. The CTMO shall, upon receipt of the divisional application, generate a new application number for the divided approved application and arrange for its publication.

From the text of the above Article, it is interpreted that the divisional system will not only benefit the multi-class applications which may be partially refused in some of the originally designated classes, but also benefit the ordinary single-class applications which are partially refused and partially approved for registration.

Under the current (old) Law, when the approved goods/services and the refused ones are both of the applicant’s interests and are to be retained, the applicant shall file a review application against the partial refusal, which shall be extended to the whole trade mark application. As a result, pending the review examination, the approved goods/services are “stuck” in the review and unable to move on to registration. This has always troubled applicants.

The Divisional System in the Draft will improve such situation. Under the aforesaid Article, the applicant will be entitled to file a review application solely in respect of the refused goods/services, and concurrently request the CTMO to divide the approved part as a single application. In this way, trade mark registration for the approved goods/services can be secured at the earliest opportunity.

(e) Fixed Term of Examination

Another major change occurring in the new Law is the fixed term of examination of almost all types of examination matters. Articles 28, 34, 35, 44, 45, 54 and 62 have stipulated the examination terms, any extensions where applicable and whether any suspension is allowed owing to other pending proceeding at the trade mark governing authorities and the Courts. The table below is a summary of the terms specified in the Law:

Type	Term	Extension	Suspension Available
Application for Registration	9 months	N/A	No
Review of Refusal	9 months	3 months	No
Opposition	12 months	6 months	No
Review of Non-registration	12 months	6 months	Yes
Review of Invalidation	9 months	3 months	No
Invalidation on Absolute Ground	9 months	N/A	No
Invalidation on Relative Ground	12 months	6 months	Yes
Non-use Cancellation	9 months	3 months	No
Review of Non-use Cancellation / Review of Cancellation as Penalty	9 months	3 months	No

Neither the new Law nor Draft Regulations allows suspension in the examination of review of refusal. However, in practice, during examination of many reviews of refusal, the outcome of the decision has to rely on the result of another pending cancellation/opposition/assignment proceeding. Therefore, given the shortened examination term for the review of refusal, it is recommendable to consider introducing suspension to the review of refusal where other pending proceeding(s) will directly impact the outcome of the review of refusal.

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Ella Cheong has been involved in intellectual property practice for many years. She is a solicitor in Hong Kong and is on the Roll of Honour of the Law Society of Hong Kong. She is also qualified in the United Kingdom and Australia, and was admitted to the bar in Singapore. She is the Founder and Chair of Ella Cheong (Hong Kong & Beijing) (www.ellacheong.com) - a boutique firm for IP issues in Greater China.

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Ella Cheong was inter alia Chairman of the IP Committee of the Hong Kong Law Society, she served on the Board of INTA and was given the President's Award, was President of the Hong Kong Group of APAA (honoured with its Enduring Award), Council Member of FICPI (elected its Member of Honour), and Member of Honour of AIPPI. She was honoured as one of the top 25 professional women in Hong Kong listed in the Hong Kong leading English newspaper – South China Morning Post. She has just been named as the winner of “Asia Women in Business Law Awards 2013” for being “Best in Patent and Trade Mark Prosecution” by Euromoney Legal Group Asia Women in Business Law Awards 2013.