

China's Legislature Adopts Amendment to China Trademark Law

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“Trademark Law of the People's Republic of China” was adopted in 1982 and amendments were made in 1993 and 2001. On August 30, 2013, the Standing Committee of the National People's Congress (NPC), China's top legislature, concluded its session, adopting the third amendment to the Trademark Law (hereinafter “the new amendment”) that aims to better protect exclusive trademark rights. The new amendment has been published on the website of the National People's Congress, <http://www.npc.gov.cn/>. The new amendment will become effective as of **May 1, 2014**.

Major changes and additions in the amendment are summarized below:

- Expansion of non-traditional trademarks

The new amendment accepts application for registration of sound and the combination of sound with other elements.

- Multi-class application

According to the new amendment, the applicant can submit one application to register a mark in multiple classes. Nowadays, China still adopts single-class filing rule.

- Applicant's chance to explain

During examination, if China Trademark Office (CTMO) thinks it necessary for the applicant to make explanation or amendment on the content of the application, it can ask the applicant to make such explanation or amendment. Under current practice, the CTMO directly issues Request for Amendment of Goods/Services or Refusal of Application.

- Definite term of examination

The CTMO shall complete examination within 9 months after receipt of the application documents.

- Renewal

According to the new amendment, an application for renewal of the registration can be made within 12 months before the date of expiration, whereas the current law stipulates 6 months. The grace period of 6 months after the date of expiration remains unchanged.

- Recordal of license

If a licensor licenses another party to use its registered trademark, the licensor shall arrange for recordal of the license to the CTMO. The new amendment adds the trademark license, if not recorded, shall not be against bona fide third parties.

- Assignment

As for assignment of registered trademarks, an owner shall assign all its similar registered trademarks in respect of the same type of the goods, or all its identical or similar registered trademark in respect of similar goods.

- Well-known marks

Recognition of well-known status of a trademark based on a party's request is to affirm a matter of fact necessary to be affirmed in a trademark case. The CTMO can make such recognition during the process of its examination of an application or during the process of an enforcement action conducted by a local Administration for Industry and Commerce (AIC); China Trademark Review and Adjudication Board (TRAB) can make such recognition during the process of its handling of a trademark dispute; or the courts designated by the Supreme Court of the People's Republic of China can make such recognition during process of its hearing of a civil or administrative trademark case.

Producers and operators shall not use the term "well-known mark" on goods, packages of goods or containers of goods, or in advertising, promotions, exhibitions or other commercial activities.

- Forbidding of the copying of an earlier mark of a party who has commercial ties with the applicant.

Besides prohibition of unauthorized registration or use of a trademark in the name of an agent or a representative of the owner of the trademark, the new amendment adds "Where the application for the registration of a trademark used in the same or similar goods is identical with or similar to another party's unregistered trademark which was earlier used, and the applicant clearly knows another party's trademark due to non-agent/ representative contract, business, or other relations between the applicant and another party, the applicant's application for registration shall not be allowed if another party opposes it." It lowers the burden of proof of the owner because the owner does not have to prove the applicant is an agent or a representative.

- Simplified opposition procedures

The CTMO shall make a decision within 12 months as from the date of expiration of the publication. In case of special situation, an extension of 6 months can be approved.

If the CTMO dismisses an opposition, the opposer cannot appeal against the CTMO's decision to the TRAB, but it can apply to invalidate the mark, only after it is registered. However, if the CTMO allows an opposition, the applicant of the opposed mark can appeal against the CTMO's decision to the TRAB. This change aims at reducing the number of bad faith opposition cases or alleviating the burden of the applicant.

- Definite term of examination of cancellation by the CTMO

When a registered trademark becomes generic in respect of its specified goods or it has not been used for three consecutive years, anyone can apply to the CTMO to cancel it. The CTMO shall make a decision within 9 months after receipt of the application. In case of special situation, an extension of 3 months can be approved.

- Definite term of examination of invalidation by the TRAB

In cases where the prior right owner or the person of interest file an application for invalidation of a registered trademark, the TRAB shall make a decision within 12 months after receipt of the application. In case of special situation, an extension of 6 months can be approved.

- Definite term of examination of appeal by the TRAB

An appeal against the CTMO's decision on refusal, cancellation, or invalidation must be filed to the TRAB within 15 days after receipt of the decision. The 15-day time limit is not extendable. The TRAB must make an adjudication on the appeal within 9 months after receipt of the appeal. In case of special situation, an extension of 3 months can be approved.

As mentioned in the above "simplified opposition procedures", if the CTMO allows an opposition, the applicant of the opposed mark can appeal against the CTMO's decision to the TRAB. The appeal must be filed to the TRAB within 15 days after receipt of the decision. The 15-day time limit is not extendable. The TRAB must make an adjudication on the appeal within 12 months after receipt of the appeal. In case of special situation, an extension of 6 months can be approved.

- Conflict of trademark and trade name

The new amendment makes it clear that the Anti-Unfair Competition law will be applied if any party uses another party's registered trademark or unregistered well-known trademark as its trade name portion of the enterprise name, causing public confusion and constituting unfair competition act.

- Fair use

If a registered trademark contains generic names, designs or models of the goods in respect of which the trademark is used, or it has direct reference to the quality, main raw material, function, purpose of use, weight, quantity, or other characteristics of the goods, or it contains geographic names, the owner of the registered trademark has no right to prohibit others from fairly using those related terms.

If a three-dimensional sign contains the shape which results from the nature of the goods themselves, the shape of goods which is necessary to obtain a technical result, or the shape of goods which gives substantial value to the goods, the owner of the registered trademark has no right to prohibit others from fairly using them.

Before the owner of a registered trademark applied to register its trademark, another party had earlier used an identical or similar trademark in respect of identical or similar goods and that trademark had had a certain influence, the owner of the registered trademark has no right to prohibit another party from continuing using that trademark, but can ask another party to annex appropriate distinctive signs.

- Non-use demurrer

Where an owner of a registered trademark asks for compensation and the accused infringer argues non-use of the registered trademark, the court may ask the owner to provide evidence of actual use of the registered trademark during the preceding three years. If the owner cannot prove use in the preceding three years or cannot prove any other loss suffered, the accused party does not bear responsibility for compensation.

- Damages and alleviation of the burden of proof for the right owner

In case of trademark infringement, the amount of damages shall be the loss suffered by the right owner; if the loss is hard to be determined, the profits earned by the infringer can be followed; if the former are all hard to be determined, the license fee can be referred to. If it is bad faith infringement and the circumstances are serious, the amount of damages can be determined within one to three times determined in accordance with the aforesaid methods. If the amount cannot be determined by all the aforesaid methods, the court shall decide an amount of damages less than RMB 3 million. According to current law, the cap of statutory compensation is RMB 500,000 only. Significantly, the amendment raises the compensation ceiling for trademark infringement to RMB 3 million (about 500,000 U.S. dollars), six times the previous limit.

Where the right owner has tried to adduce evidence and the infringement-related account book or other materials are held by the infringer, the court, in order to determine the amount of compensation, can order the infringer to provide the account book or other materials. If the infringer does not provide them or provides false information, the court can refer to the right owner's petition and evidence to determine the amount of compensation.

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