Changes Noticed from the Trademark Law of China

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"Trademark Law of the People's Republic of China" was first promulgated in 1982 and entered into force in 1983, and it was revised for the first time in 1993 and for the second time in 2001. Since 2003, the third amendment has been under discussion. Upon investigations conducted by State Administration for Industry and Commerce under the State Council of China (SAIC) and collections of opinions from experts and organizations both in China and from abroad, the SAIC submitted "Trademark Law of the People's Republic of China (Draft Amendment for Comment)" to Legislative Affairs Office of the State Council in 2009. On September 2, 2011, the Office promulgated "Trademark Law Of The People's Republic Of China (Revised Draft For Public Comment)"（hereinafter "the Draft"）. The public can submit their comments by due date of October 8, 2011.

As compared to the current PRC Trademark Law, there are about 30 changes and additions on the Draft mainly in connection with procedures in determining trademark right, procedures in protection of well-known and famous trademark, measures in strengthening protection of prior right, measures in curbing bad faith registration and unfair competition by abusing trademark right, etc. Major changes reflected in the Draft are summarized below:

- Besides words, devices, letters, numerals, three-dimensional symbols, colors (not limited to combinations of colors as before) and sounds may be applied for trademark registration.

- Concerning words or devices forbidden to be used as trademarks, those having the nature of discrimination against any race is added, and "those having the nature of exaggeration and fraud in advertising goods or services" is amended to be "those deceptive enough to mislead the public in respect of the quality or the origin of the goods or other characteristics.

- As for those which consist exclusively of signs or indications that have direct reference to the quality, main raw material, function, intended purpose, weight, quantity or other characteristics of goods or services, they shall not be registered as trademarks unless they have acquired distinctiveness through use and become easily distinguishable, but the acquired distinctiveness through use never applies to generic names, designs or models according to the Draft.

- In determining whether a mark is well-known or not, it should be judged in administrative proceedings of trademark registration, review and adjudication, management and in judicial proceedings of civil disputes. In other words, it can also be determined during the process of trademark registration but it cannot be determined during judicial proceedings of administrative disputes any more.

- "Famous trademark" is brought into the Draft, and affirmation and protection of it can be referred to local laws and regulations of local governments.

- It is clearly defined that geographical indications can be registered as certification marks or collective marks.

- It is added that trademark agencies should abide by laws and administrative regulations to deal with trademark matters according to the client's entrust without prejudicing the client's interests.

- Submission of application documents via electronic means is added.

- Multi-class application could be allowable. But the draft says the implementing methods depend

on further regulations of China Trademark Office.

- Article 32 of the Draft says : “Where, in the procedure for examination, the Trademark Office believes the content of the application for the registration of a trademark needs to be explained or ratified, it may send the applicant an Examination Opinion, and require the applicant to explain or ratify within 30 days from the day it or he receives. Should the applicant fail to reply, the decision of the Trademark Office shall not be affected.” But, according to current practice, if irregularity of specified goods or services is found, the Examiner issues a Notice of Amendment, to which failure to respond results in unacceptance of the application. If, upon substantial examination, the Examiner deems the trademark as not registrable, the Examiner directly issues a Notice of Refusal, and if the applicant is dissatisfied with the Refusal, he or it can file an appeal to the Trademark Review and Adjudication Board within 15 days after receipt of the Notice of Refusal. The Draft intends to establish a channel of communication between the Examiner and the applicant during the substantial examination stage. However, from the Draft it is still unclear if the Examiner will accept evidential materials and complete examining on them, and if so, the number of responses to Examination Opinions will much increase, and the number of appeals against refusals will much decrease.

- Scheme II of Article 34 of the Draft says : “Where the application for the registration of a trademark used in the same or similar goods is identical with or similar to another person’s prior trademark which were earlier used, and the applicant knows well another person’s trademark due to the contract, business, regional relations or other relations between the applicant and another person, the application for registration shall be refused. This aims at the applicant’s obvious bad faith application for registration of a trademark in conflict with another person’s prior trademark which was earlier used but could not be proved to be influential to a degree then.

- It is added that “Where a trademark, after examination, has been preliminarily approved, and the Trademark Office finds the violations of the provisions of this Law, or the application for registration is filed with fraud or in other improper means, the Trademark Office can revoke the publication of the preliminarily approved trademark before it is allowed for registration.”

- According to current law, anybody can file trademark opposition. The Draft restricts the qualification of an opposer as the owner of prior right or the party of interest. If it is implemented, the number of bad faith oppositions will greatly decrease.

- According to current law, an appeal against a refusal must be filed to the Trademark Review and Adjudication Board within 15 days after receipt of the refusal. The Draft extents the time limit to 30 days.

- Article 38 of the Draft says : “Where the Trademark Office makes a decision to approve the registration, a certificate of trademark registration shall be issued to the opposed party and the approval shall be published. Where the opponent is dissatisfied, it or he may file an application with the Trademark Review and Adjudication Board to revoke the registered trademark pursuant to provision of Article 48.” It means that the opponent cannot file an appeal against the unfavorable opposition decision made by the Trademark Office, but may apply for revocation of the registered trademark under certain circumstances.

- The application for change of the name or address of the registrant of a trademark shall not be withdrawn once filed.

- The Draft adds that the license, not recorded in the Trademark Office, should not defend against bona fide third persons.

- According to current law, “where a registered trademark has been canceled or has not been renewed at the expiration, the Trademark Office shall, during one year from the date of the cancellation or removal thereof, approve no application for the registration of a trademark that is identical with or similar to the said mark.” The Draft excludes the registered marks cancelled due to nonuse for three consecutive years.

- The Draft adds a complete article about proper use, which says “the proprietor of a registered trademark has no right to forbid others from properly using it if it contains (1) generic names, designs or models of the goods in respect of which the trademark is used; (2) contents which have direct reference to the quality, main raw material, function, intended purpose, weight, quantity or other characteristics of goods; (3) geographical names; 4) the shape which results from the nature of the goods themselves; (5) the shape of goods which is necessary to obtain a technical result; or (6) the shape which gives substantial value to the goods.

- Concerning administrative enforcements against infringement, the Draft adds that the administrative authority for industry and commerce shall punish the infringer severely if it conducts trademark infringement more than twice within five years.

- According to the Draft, the amount of damages shall be the actual loss that the infringee has suffered from the infringement in the period of the infringement, where it is difficult to determine the actual loss, it shall be the profit that the infringer has earned because of the infringement in the period of the infringement. The amount of damages shall include the appropriate expenses of the infringee for stopping the infringement. Where it is difficult to determine the actual loss that the infringee has suffered from the infringement in the period of the infringement or the profit that the infringer has earned because of the infringement in the period of the infringement, the People's Court shall impose an amount of damages of no more than RMB 1 million Yuan according to the circumstances of the infringement. According to current law, the upper limit was RMB 500, 000 yuan only. The draft also adds that “When claiming the damages for infringement, the holder of the exclusive right to use the registered trademark shall provide evidences of which he uses this registered trademark in the preceding three years and other relevant evidences”

Besides, several important articles of current Implementing Regulations of the Trademark Law are transplanted to the draft, for examples, the rules about calculation of the filing date of an application for trademark registration, the forms of trademark infringements, etc.

The Draft has made significant improvements in promotion of justice and raise of efficiency, but within expectation there are points to be perfected or amended, and they are also theoretical and practical difficulties as well as hot topics in dispute. For instances:

- How to define the owner of prior right or the party of interest in opposition proceeding;
- “Where a trademark, after examination, has been preliminarily approved, and the Trademark Office finds the violations of the provisions of this Law, or the application for registration is filed with fraud or in other improper means, the Trademark Office can revoke the publication of the preliminarily approved trademark before it is allowed for registration.” But how does the Trademark Office find them?
- Is it possible to enact more specific articles against the frequently occurred bad faith registration, opposition, or assignment?
- Is it proper to bring “famous mark” into the law?
- Is it necessary to quantize the conditions for affirming well-known status of a trademark or should it be an exist mechanism of well-known trademark？etc.

Thus, there is still a long way to go for the 3rd Amendment to be finally enacted as law by the legislature.

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