Forthcoming Third Amendment to the Chinese Trademark Law

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The current Chinese Trademark Law was enacted in 1982, and amended twice respectively in 1993 and 2001. To date, the third amendment thereto is being planned. This article is meant to explicate the necessity and the possible major points of the planned amendment.

Necessity

1. The amendment, made in 2001 mainly to meet the needs for China to enter the WTO, does not represent a comprehensive amendment, with the issues left not addressed even more conspicuous.

The amendment was made mainly to meet the needs for China to enter the WTO, and to harmonise the Chinese Trademark Law with the requirements of the Trade-related Intellectual Property Agreement of the WTO. The Trademark Law as of 2001 did not make any response to the most issues raised from the developments of the market economy after the first amendment to the Trademark Law in 1993 on the Chinese trademark law system. For example, in the Trademark Law as of 2001 have not been involved the issues, such as simplifying the registration procedure, specifying the legal concepts, making stringent prescribed time limits, adjusting legal relations, and optimizing logical structure. These issues now seem to be even more conspicuous six years after China's entry into the WTO. Consequently, it is urgent to amend the Trademark Law again.

2. In recent years, the number of applications filed for trademark registration, and cases of opposition, and review and adjudication of trademarks has been on the dramatic and constant rise for years, which has posed tremendous pressure and severe challenge to the work on trademark registration.

Since the amendment to the Trademark Law in 2001, China has been undergoing rapid economic development, accompanied by a great increase in the number of applications for registration of different trademarks. According to the statistics, the annual number of the nine trademark-related applications, including applications for trademark registration, and applications for trademark assignment and trademark opposition doubled between 2001 and 2006, with theses applications totaling 996,000 in 2006; and the number of applications filed for trademark review and adjudication also rose from 6,214 in 2001 to 14,960 in 2006.

Nowadays, each examiner of the Chinese Trademark Office has to examine about 3,800 applications for trademark registration on the average each year, which is four times the number in the U. S., three times that in the Republic of Korea and two times that in Japan. For the four consecutive years from 2003 to 2006, The total applications examined amounted to 310,000, the highest number of applications examined by an average examiner, and the limit of their workload. Since examination cannot keep pace with applications filed for trademark registration, the backlog of applications not examined in time is growing year after year. As a result, it is impossible for applicants to have their trademarks registered in time. This, in turn, affects or hinders the normal development of enterprises.

The increased backlog of applications for trademark registration is, to an extent, related to the over-complicated procedure of trademark registration in China. For example, regarding an application for trademark registration, the examination decision of the Trademark Office is the first administrative decision; the opposition proceedings is where the Trademark Office makes its second decision, and as the third procedure, the Trademark Review and Adjudication Board (TRAB) makes still another administrative decision on its re-examination of an opposition application. It is possible for a trademark to go through at least five procedures or proceedings before registration if a case involving an application for trademark registration is heard by the court in the first and second instance. It takes as long as 10 years to get a trademark registered if each procedure or proceedings take two years. As a result, a mark would not be even not registered

before the period for renewal of said mark expired. This is a waste of the administrative resources, and as well seriously affect the efficiency of the trademark registration procedure.

3. To open up market and promote export, it is necessary for China to accede to the Singapore Treaty on the Law of Trademarks of WIPO, and this makes it necessary to amend the Trademark Law.

The Trademark Law Treaty is a trademark related international treaty concluded in 1994, administered by WIPO, and it now has 38 member states. Its main purpose is to harmonise and simplify the trademark registration system of the member states to make it convenient for interested parties to have their trademarks registered in these states. To date, more and more countries, the U. S., Japan and the U. K. included, have acceded to it. China is a signatory of the Treaty, and is yet to accede to it.

On 28 March 2006, the Singapore Treaty on the Law of Trademarks was adopted at a diplomatic conference held in Singapore, with amendments made to the former Trademark Law Treaty, with the extended scope of applicable marks, including hologram marks, motion marks, position marks, and marks of sounds, smells and tastes. It is also provided in the Treaty that signatories are free to choose their mode of communications and decide whether to accept documents in a paper form, electronic form or any other form; that an interested party may apply to competent trademark authorities for extended period for filing his application before a relevant time limit expires, and may petition for economic relief after a time limit expires. Besides, provisions concerning application for recordal of trademark licenses, modification, cancellation and the impact of non-recordal of the licenses are added. The Treaty has further simplified the relevant procedure for trademark application, made things more convenient for interested parties and more conducive to safeguarding their trademark right.

With the integration of the Chinese economy to the global economic system, it is inevitable that the trademark application procedure in China is required to further harmonise with these of more and more countries, so as to make it possible for the Chinese interested parties to relatively more conveniently to apply for registration of their trademarks in foreign countries. This requires China to accede to the Singapore Treaty on the Law of Trademarks at an earlier date. However, the Chinese Trademark Law is not in full conformity with the provisions of the Treaty. For example, the proceedings for making observations before refusal are still missing; application for registration of a mark to be used in several classes of goods is not permissible; the economic relief is not made available to an interested party if he fails to meet a time limit; and it is still not allowable to file applications electronically, to mention just a few. If the Chinese Trademark Law is not to be amended, it is impossible for us to accede to the Treaty. For that reason, it is necessary to refer to the relevant provisions of the Treaty and to further amplify and simplify the procedure for trademark registration in China.

To sum up, it is obviously necessary to amend the Trademark Law, and major amendments to the Trademark Law should be made as earlier as possible in any one of these three aspects.

Main points of amendment

As above-mentioned, the present amendment will mainly achieve five goals as follows: shorten the time for examination, improve the proceedings for trademark right determination, enhance protection, provide better service, and harmonise with the international Treaty.

1. Shorten the time for examination

(1) Cancel the Trademark Office's proceedings for substantive examination of prior trademark right

To date, in may countries, such as France and Germany, examination is conducted of a mark only to discover an absolute ground on which the mark is not registrable, without examining the relative grounds, namely the existence of any prior trademark right. This has greatly sped up the trademark examination in these countries. By contrast, the Chinese Trademark Law requires the examination of both the absolute and the relative grounds, which is now an important factor having impact on the time for trademark examination in China besides the constant increase of trademark applications and shortage of examiners. If prior trademarks are not to be examined in China, the examination of trademark applications will be through in at least less than three months. What needs to be considered in whether we should not conduct the examination of the prior right in connection with trademark applications, say whether it is not examined in case of a very well-known mark that has been applied for registration by another party. In addition, in the absence of prior right, it is necessary to make it convenient for the public to make inquiries to reduce the number of prior right conflicts.

(2) Further improve the opposition proceedings

Now, under the trademark laws of many other countries,

the subjects raising opposition and the grounds for opposition are differentiated in their established proceedings of trademark opposition. For example, it is provided that any party may raise opposition on the absolute ground for non-registrability, while a holder of a prior right may do so on the relative grounds. The current Chinese Trademark Law provides that any party may raise opposition on all grounds, without setting them apart from each other, and this is now one of the main reasons for the abuse of the trademark opposition proceedings in China. Amendment along the line will greatly reduce the number of cases arising from opposition raised in bad faith and the number of applications filed for opposition to trademark registration.

(3) Add the proceedings for division of application

Cases of partial refusal exist in the trademark registration procedure in China. If an applicant is dissatisfied with a decision on partial refusal, he may apply for reexamination or even sue in the court. In case like this, the registrable part of a trademark application is not to be approved for registration until the court makes its final decision, thus, putting off or prolonging the registration of the trademark. By contrast, in the trademark registration procedures in countries like Germany, the proceedings for division of application has been set up, with a function to make it possible for an applicant to separate a registrable part of an application and register it in case of partial refusal, without the need for registration of the mark after the entire application procedure is over. This is worth our drawing on.

2. Simplify the proceedings for trademark right determination

(1) Simplify the administrative proceedings for trademark right determination

The administrative proceedings for trademark right determination includes the opposition proceedings and the review and adjudication proceedings. The Trademark Office's examination decision is made in an administrative procedure. The opposition proceedings, in which the second administrative decision is made by the Trademark Office in respect of its own decision, is rather unjustifiable. Worse still, the reexamination of an opposition application is the third proceedings of the kind to make still another administrative decision. It is unnecessary and a waste of recourses to set up three administrative proceedings in connection with one trademark application. According to the statistics, opposition applications have been filed in respect of only about 3% of the trademark applications that are preliminarily examined; of the opposition applications only about 30% are tenable upon examination. This means that only less than 1% of the trademark examined is under or involved in cases of the tenable opposition, and due to this 1% of trademark application, the other 99% of trademark applications have to wait for approval for registration after the three-month opposition period is over. This is glaringly unfair or unjustifiable. For that matter, three solutions are available: placing the opposition from pre-registration to pose-registration period; shortening the opposition period, say, from the current three months to one or two months; and changing the department responsible for opposition adjudication from the present Trademark Office to the TRAB.

(2) Reestablish the judicial status of the administrative authorities

In a right determination proceedings involving two interested parties, the role of the TRAB is equivalent to a judicial body for mediation and judgment. However, it examines or reviews a right determination decision in the administrative procedure, which has put it in a non-compatible judicial position. Besides, this renders the adjudication result devoid of substance or significance, and its review and adjudication a circular procedure. We may consider clearly specifying that the TRAB is not in a defendant position in the relevant judicial procedure.

3. Enhance protection

(1) Amplify the provision related to types of trademark infringement

Article 52 of the Trademark Law provides for five circumstances of infringement of the exclusive right to use a registered trademark. In addition, Article 50 of the Regulations for the Implementation of the Trademark Law provide for another two circumstances of infringement of the exclusive right to use a registered trademark. The Supreme People's Court's relevant judicial interpretation issued in 2002 also provide for three circumstances of infringement of the nature. It is necessary to provide in the Trademark Law for all these types of trademark infringement and consider other circumstances of infringement, such as acts of printing or selling representations of a trademark similar to another party's registered trademark.

(2) Further improve and intensify administrative penalty

Article 53 of the Trademark Law provides that the administrative authority for industry and commerce may "confiscate and destroy the infringing goods and any instruments specifically used to manufacture the infringing goods and

counterfeit representations of the registered trademarks". In practice, there exists different understanding or interpretation as to whether to destroy the confiscated goods and instruments, and it is necessary to set forth express provisions in this regard.

Article 52 of the Regulations for the Implementation of the Trademark Law provides that "the amount of a fine imposed on an act infringing the exclusive right to use a registered trademark shall be not more than three times of the volume of the illegal business. If it is impossible to calculate the volume of the illegal business, the amount of the fine shall be not more than 100,000 yuan". In practice, provisions like this now cannot effectively cease acts of trademark infringement. It is not deterrent enough to infringers, so it is necessary to refer to the laws, such as the Product Quality Law and the Unfair Competition Law, and radically intensify the penalty on infringers.

4. Provide better service

(1) Simplify trademark registration formalities

Simplifing trademark registration formalities, now a trend in the developments of the trademark legal system in all countries, will make it convenient for interested parties to apply for trademark registration and reduce their cost in doing so. Today, some trademark registration formalities are rather complicated in China. For example, a rightholder has to go to the Trademark Office in person to go through the formalities for filing an application for trademark registration. He is not allowed to post their application. Besides, given the developments of electronic application, it is necessary to specify in the Trademark Law that electronically filed applications are acceptable.

(2) Improve the mistake-correction proceedings, assignment proceedings, and joint registration proceedings

The mistake-correction proceedings are added to the Trademark Law as of 2001. They are not operatable, and yet to be improved. In recent years, many administrative cases with the Trademark Office as defendant involve trademark assignment, and from many of them, we see the loopholes in the current trademark assignment mistake-correction proceedings. These loopholes have made it possible for wrongdoers illegally make corporate seal to assign other party's trademark and cause injury to the trademark registrant. Therefore, it is necessary to further improve the trademark assignment proceedings.

(3) Keep or abolish the license recordal system

As the practice of the recent years shows, recordal of trademark licenses is not quite necessary. Besides, the recordal proceedings for interested parties to present license or for the Trademark Office to examine them are rather complicated. All these matters need to be looked into or addressed.

5. Harmonise with the Singapore Treaty on the Trademark Laws

(1) Add the pre-refusal procedure for making observations

It is provided in the Singapore Treaty on the Law of Trademarks that an applicant should be given a chance to make observations before a decision is made on the refusal of his trademark application. This requires the Trademark Office to tell the applicant its opinions on the refusal and give him a chance to make his observations.

(2) Allow application for trademark registration in several classes of goods or services

To date, except the Madrid International registrations, an application is filed for registration of one mark in connection of one class of goods or service. That is, a single application is limited to one class of goods of service. This is not consistent with the Singapore Treaty on the Trademark Laws, which allows one application to cover several classes of goods or services, and amendment along the line is necessary.

(3) Making economic relief available to interested party who fails to meet a time limit

It is required in the Singapore Treaty on the Trademark Laws that an interested party be given some economic relief when he fails to meet a time limit. However, the Chinese Trademark Law has only provided for a six-month grace period for renewal of a trademark. It does not set forth any relevant provisions concerning the other time limits.

It is worth noting that accession to the Trademark Law Treaty would make it possible to lengthen the time for the registration of some trademarks, and to increase the workload on the Trademark Office. But, it will help our enterprises go international and facilitate the protection of the lawful rights and interests of the interested parties at large. So it is necessary. ■

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