

Highlights of Draft Amendment to Trademark Law

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On 28 December 2012, the Draft Amendment to the Trademark Law (hereinafter referred to as the Draft Amendment) was issued on the website npc.people.com.cn for comments from people of all walks of life up to 31 January 2013. The ongoing amendment to the Trademark Law purports to accommodate the practical domestic needs in an attempt to address the main issues in practice to improve the trademark system. Compared with the Trademark Law now in force, in the Draft Amendment having been made the amendments in the following aspects:

I. Adding new genres of registrable trademarks

The Draft Amendment to the Trademark Law provides that sound marks and single-colour trademarks that have acquired distinctive character are registrable.

II. Simplifying trademark affirmation process, and relevant procedures and imposed time limit for better convenience of applicants

Directed to the over-complicated and repeated trademark affirmation procedure and too short time limits, improvements have been made in the following ways:

1. Restoring office action or OA system to provide opportunity for applicants to communicate with examiners during substantive trademark examination

In the current Trademark Law (as of 2001) the OA system in the substantive examination has been cancelled, and the Trademark Office now does not issue any OA any more before a trademark application is rejected, and applicants are not given an opportunity to amend their trademark applications, nor does the Trademark Office accept additional

documents from them during the substantive examination.

In the Draft Amendment has been restored the trademark OA system to give applicants an opportunity to make their observations and to present evidence before a trademark application is rejected. While the addition of the OA system is likely to lengthen the time for registration of some filed trademarks, cases of reexamination rejection will be considerably reduced as applicants are given an opportunity to make observations before rejection, so the time for trademark registration will, on the whole, be shortened.

2. Improving trademark registration opposition system and cutting off repeated procedures

Now, persons qualified for filing or raising trademark opposition and grounds on which trademark opposition can be raised are too general, and the procedure too complicated, which have adverse effect on timely registration of trademarks. Under the Draft Amendment, those who may raise opposition are limited, namely the opponents must be prior-right holders or interested parties, and the ground for raising opposition to registration of a filed trademark is likelihood of infringement of the rights and interest of the holder of the prior right or interested party. If any other person opposes to the registration of a mark, he may request for invalidation of the mark after the registration thereof, and the exclusive right to use an invalidated mark does not exist from the beginning. In the Draft Amendment is deleted the partial opposition reexamination procedure. Trademarks that are approved for registration after the Trademark Office makes its decision on opposition is directly registered, without the relevant opposition reexamination and judicial review procedures put in place. If dissatisfied with a trademark the Trademark Office approves for registration, the former opponent may file another request for invalidation of the registered trademark. Where the Trademark Office finds the opposition to a mark tenable and the trademark not registrable, the respondent may still request reexamination. An interest-

ed party who is not satisfied with an invalidation decision or opposition reexamination decision may request judicial review. Limiting the opponents and opposition ground and canceling the review and judicial procedure of the Trademark Office's opposition adjudication on approval of registration afford timely registration of filed trademarks; combining the similar function of the opposition and invalidation procedures makes it possible to both effectively ensure the opponents and respondents' corresponding right to seek relief, and to avoid repeated procedures put in place.

3. Improving provisions in relation to time limits in trademark registration procedure

The Trademark Law now in force provides that the time limit for reexamination of rejection, opposition or cancellation is only 15 days. It is impossible for interested parties to conduct a sufficient study of a case within the 15 days, so they can do nothing but to enter the next procedure, only to find later that they lack sufficient evidence or grounds. The Draft Amendment increases the time limit to 30 days for the convenience of the interested parties.

4. Allowing cross-class trademark registration (one mark registrable in respect of several classes of goods)

The Draft Amendment provides that an applicant may file one application for registration a trademark in respect of several classes of goods.

III. Better defining use of trademarks and emphasising real use of trademarks

The Draft Amendment, on the one hand, works out a better definition of use of trademarks, specifying that a trademark functions to distinguish the sources of goods, and only use of a mark on goods, packages or containers of goods, and in goods trading documents or instrument, or use of it in advertising, exhibition and other commercial or business activities showing the sources of goods constitute the use of a trademark in the meaning of the Trademark Law. On the other, the Draft Amendment provides for legitimate use of marks or words that do not "distinguish sources of goods". Where a registered trademark contains the generic name of some goods, or words directly referring to the characteristics of goods, such as quality, or containing the geological name of a place, or a registered three-dimensional mark contains signs that do not "distinguish sources of goods", such as shapes due to the nature of the goods *per se*, or shapes of

goods that are needed to achieve a technical effect, other parties can use it in a legitimate manner, and the trademark registrant has no right to inhibit the use.

The current Trademark Law accords limited protection to trademarks that have been in use, but not registered. For example, directed to filings for registration of others' non-registered well-known trademarks in respect of identical or similar goods or registration by unfair means others' trademarks that have been in use and have certain influence, the prior mark user may raise opposition, or bring an action. Based on this, the Draft Amendment provides, with reference to the prior right of use of a patent, that "where another person has already used a trademark identical with and similar to a mark filed for registration in respect of the identical or similar goods before the trademark registrant files an application for registration of it, the owner of the exclusive right to the registered trademark has no right to prohibit said user's continued use of said trademark in the former scope of use, but he or it may require the user to attach proper distinguishing symbol". Thus, prior marks are given the right of continued use under certain conditions, and prior marks used in good faith are protected within certain scope.

In addition, the Draft Amendment also provides that in trademark infringement litigation, if a trademark registrant claims damages, the alleged infringer may request the trademark registrant to produce evidence showing real use of the mark in the previous three years; if the latter cannot prove its or his real use of the mark, the alleged infringer may make a non-use defence against the infringement allegation as the registered trademark, if not put to real use, does not function to distinguish the source of goods, and it is unlikely for the relevant sector of the public to confuse it with the allegedly infringing trademark; if the trademark registrant does not put the mark to real use, it or he cannot show the actual losses or injury caused because of the infringement, and the alleged infringer may petition not to be held liable for damages.

IV. Maintaining order of fair competition

To date, there are trademarks registered in bad faith in the society, which gravely infringes the legitimate rights and interests of the trademark owners, and it is impossible for the Trademark Law now in force to effectively crack down on some activities of registration in bad faith. Therefore, the Draft Amendment provides that "anyone filing application for

registration and using trademarks must abide by the principle of honesty and creditability”, clearly prohibiting application in bad faith in violation of the principle, and not proving any application filed for registration of another’s trademark by anyone who clearly knows about the presence of that person’s mark as he has concluded a contract or been doing business with that person, or is otherwise related with him or it.

V. Enhancing protection of exclusive right to use trademarks

1. Adding more activities as infringing trademarks

To the Draft Amendment have added activities of “intentionally facilitating infringement and assisting others in infringing the exclusive right to use trademarks” to the list of trademark-infringing activities.

2. Stepping up administrative trademark enforcement, adding provisions on punitive damages, and increasing amount of statutory damages

An interested party whose exclusive right to use a trademark is infringed may petition the State Administration for Industry and Commerce to deal with the matter. The Draft Amendment provides that where the administrative authorities for industry and commerce, finding an infringement, may impose a fine of not more than RMB 250,000 yuan; and should give heavier punishment to anyone who infringes trademarks two or more times within five years or is involved in other serious circumstances. The Draft Amendment also provides that the amount of punitive damages for infringement of exclusive right to use a trademark, with serious circumstance, may be calculated and fixed on the basis of the rightholder’s injury because of the infringement and the infringer’s benefit from infringement or within the range of two times, but no more than three times the amount of royalties for licensing the infringed registered trademark. Additionally, under the Draft Amendment, the upper limit of the amount of the statutory damages the court may award according to the circumstance of the case is increased from RMB 500,000 yuan to RMB 1,000,000 yuan.

3. Reducing rightholder’s burden of proof

Since contracts, invoices, account books and other data relevant to infringing activities are mainly in the hands of an infringer, it is, in practice, difficult for a rightholder to produce evidence showing an infringer’s benefit made because of infringement. The Draft Amendment, therefore, specifies

that the court may order an infringer to produce infringement-related account books and other data; if the infringer fails to do so or provide false account books and other data, the court may determine the amount of damages at the request of the rightholder and according to the available evidence.

VI. Incorporating trademark agencies and qualification of trademark attorneys in supervision system under Trademark Law

Since the cancellation of the system of administrative examination and approval of trademark agencies and qualification of trademark attorneys in 2003, no restrictions have been put on operation of trademark agency, and the number of trademark agencies has been on a rapid rise, which has further intensified the competition in the industry; unfair competition in the industry affects its healthy development, and causes a series of problems in the trademark agency industry.

A trademark agency and patent agency, both offering IP-related legal services, are substantially identical in terms of legal status and character of operation, the quality of trademark practitioners should be subject to the same stringent supervision as that of patent practitioners to ensure their professional quality and to safeguard the lawful rights and interests of their clients. With reference to the provisions of the Patent Law in relation to patent agencies, the Draft Amendment specifies that “the administrative authorities for industry and commerce should strengthen supervision and administration of the activities of trademark agencies”, and supervision and administration of the activities of trademark agencies are incorporated in the Trademark Law, so as to address the matter at a higher level of law.

Meanwhile, the Draft Amendment provides for the relevant civil liabilities for non-compliance with the principle of honesty and credibility and infringement of the lawful rights and interests of their clients, empowers trademark agency organisations to impose penalty under their rules and regulations, and specifies the function of these organisations to perform supervision in the industry. ■

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