

An Overview of Third Amendment to the Trademark Law

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Since its promulgation in 1982, the Chinese Trademark Law has been amended twice respectively in 1993 and 2001. Right after the second amendment made to the Trademark Law, preparatory work started for the third amendment thereto. Unlike the second amendment made primarily to harmonise the Chinese Trademark Law with the TRIPS Agreement as required for China to accede to the WTO, the third amendment has been (actively) made to ad-

dress the inadequacies and incompatibilities of the current Trademark Law. The work on the third Amendment to the Trademark Law, starting in the first half of 2003 and being passed on 30 August 2013 by the Standing Committee of the National People's Congress, took altogether a decade, during which the Trademark Office, the Trademark Review and Adjudication Board (TRAB), the State Council and the Standing Committee of the National People's Congress have

elicited wide opinions and commends from the general public on considerably different versions of the Draft Amendments made to the Trademark Law for the same purposes to constantly safeguarding the honesty and credible acts or acts in good faith and fair competition in registration and use of trademarks, enhancing the protection of the trademark right, prohibiting registration by fraudulent and other unfair means, speeding up trademark prosecution, and addressing abuse of the well-known trademark system. In the entire legislative course of the Trademark Law amendment, the judicial and administrative authorities in China did not only wait for the amended Trademark Law to address the urgent issues requiring resolution. They, instead, have been making efforts to improved their performance to achieve these purposes within their capacity under the law. The Supreme People's Court has been trying its best to search for solutions to these issues existing in the current law by virtual of judicial interpretations¹, judicial policies², annual reports³ and release of typical cases, or to address these issues by way of insightful and intelligent interpretation of the law. The Trademark Office and the TRAB have expedited their examination and adjudication of cases of application, and improve their examination and adjudication standards. What the judicial and administrative authorities have been trying to do can be clearly seen in so many amended provisions of the recently amended Trademark Law.

China is a country of statutory laws. The legal "elativity" given to the judicial and administrative authorities in their application of law is always subject to the limitation imposed by the current law provisions, and the legislation lay down the principles and are universally applicable. Without any doubt, the third Amendment to the Trademark Law will provide thorough solutions to many long-standing issues or problems. As is known to us all, a trademark protects the distinctiveness of a commercially used sign for the key purposes of prohibiting unlawful imitation and maintaining fair competition. To this end, it is made very clear in Article 7 of the amended Trademark Law that "application for registration and use of trademarks shall follow the honesty and credibility principle", a principle that permeates all parts of the amended Trademark Law and is embodied in all the provisions relevant to the application, opposition, invalidation, use, and protection of trademarks

Following is an overview of the important changes and revisions made in the amended Trademark Law (referred hereinafter as the new Trademark Law)

I. Trademark application

1. More forms of trademarks are registrable

Article 8 of the new Trademark Law provides: "Any signs that distinguish the goods of one natural person, legal entity or any other organisation from those of another, including words, figurative devices, letters, numerals, three-dimensional symbols, combination of colours and sounds, or the combination thereof, can be registered as trademarks". This shows that sounds are registrable as trademark, giving trademark applicants more choices for their trademark protection, harmonizing the Chinese practice with the widely accepted practice in many other countries, and facilitating owners of sound trademarks registered in other countries to secure protection thereof in China.

In the former drafts of the Amendment was suggested making single colour or smell trademark registrable. The suggested amendments were not approved since the single colours are limited resources⁴ or the other forms of trademarks went far ahead of the time relative to the current practice.

2. One application can be filed for registration of a trademark in respect of several classes of goods or services and electronically filable.

The current Trademark Law provides that one application should be filed for registration of a trademark in respect of one class of goods or service in the Classification of Goods and Services. Since it is more and more common for applicants to file applications for registration of their trademarks in respect of goods or services in different classes, the new Trademark Law has changed the former "one-application-for-one-class" practice, providing in Article 22, paragraph two, thereof that "a trademark registration applicant may file one application for registration of a trademark in respect of several classes of goods or services". This has made things easier or more convenient for trademark registration applicants by allowing them to file one application in respect of several classes of goods or services. How much convenience the change from the former "one-application-for-one-class" practice into the "one-application-for-more-classes" practice will bring to the trademark registration applicants and how much fees it will save for them will very much depend on how the trademark application fees are to be charged and what procedures for making rectifications and observations in relation to trademark will be worked out as all these will be specifically provided for in detail in the

Regulations for the Implementation of the new Trademark Law now under amendment.

Article 22, paragraph three, of the new Trademark Law provides: “Trademark registration applications and other documents may be filed in a written form or in an electronic form”. The current Trademark Law does not provide for the form of filing applications electronically. While, in practice, the Trademark Office now accepts trademark applications filed electronically, only the domestic applicants can file their applications this way, and trademark agencies are allowed to file a limited number of electronic applications each day. With the new Trademark Law allowing applications to be filed electronically, it is believed that the Trademark Office will allow more applications to be filed this way with less limitation in China.

3. Observations and amendments allowable in application procedure

Under the current Trademark Law and according to the current practice, the Trademark Office does not give applicants any chance to make observations before it refuses a trademark application; the latter have very little chance or space to amend or rectify their applications, and their evidence or proofs are generally not accepted during the examination. In Article 29 of the new Trademark Law has been incorporated the provision that “in the course of examination or prosecution, the Trademark Office, finding it necessary to explain or rectify anything in an application for registration of a trademark, may require the applicant to give explanation or make rectification.”

It was once suggested in the draft Amendment that the Trademark Office “may deliver an Office Action to an applicant, requiring him or it to give explanation or make rectification within thirty days from receipt of the Office Action”. But the suggested provision does not appear in the finally adopted new Trademark Law; in what way and to what extent an applicant may give explanation or make rectification are yet to be made clear.

II. Trademark right affirmation

1. Registration involving or based on contractual or business relations constitutes registration in bad faith

To Article 15 of the Trademark Law has been added paragraph two: “Where any trademark applied for registration in respect of identical or similar goods is identical with or similar to an unregistered trademark used by another party before, if the applicant knows about the presence of said un-

registered trademark as he or it is related to the prior user contractually, in business transaction or otherwise, and the prior user opposes to the application, the trademark shall not be registrable”.

Based on the honesty and credibility principle, Article 31 of the current Trademark Law provides that any applicant should not register in an unfair means a mark that is already in use by another party and has certain influence, and Article 15 thereof provides that an agent or a representative of a person who is the owner of a trademark is prohibited from registering such owner’s trademark. However, it is, in practice, difficult to prove that a trademark registered in unfair means has certain influence, and a registrant of the trademark in unfair means and a party whose trademark has been registered this way may not be related as an agent or representative. For example, a trademark registrant is a third party who collaborates with an agent or a representative in bad faith, and not an agent or representative in the ordinary sense. This added circumstance of prohibition on registration of trademarks in unfair means makes it possible to cease and prohibit registration contrary to the honesty and credibility principle on the basis of law.

2. Trademark opposition procedure simplified

Under the current Trademark Law, an opponent may request the TRAB for review directed to trademark opposed in the period of publication if the Trademark Office decides that the opposition is not tenable, and it is possible for the case to enter the judicial procedure. The new Trademark Law has simplified the whole procedure by providing that where an opposition is not tenable, the trademark is then directly registered, and, as a result, the time for trademark registration is shortened, and the applicant’s trademark right is made certain at an earlier date, thus making it possible to prevent any party from taking advantage of the post-opposition reexamination and lawsuit to prolong the time for any other party to acquire his or its trademark in bad faith. The opponent, if dissatisfied with the Trademark Office’s decision on opposition, may separately request invalidation of the registered trademark, without causing any detriment to his or its right.

3. Restriction on qualification of opponents and invalidation requesters

Article 33 of the new Trademark Law restricts the opponents’ qualification by changing the former practice that any party may raise opposition under any trademark registrability provisions into one that any party may do so only on the absolute ground with regard to a trademark’s intrinsic registra-

bility; and only a prior right owner or interested party may raise an opposition on the relative grounds in relation to a dispute over some right between civil entities or individuals. Similarly, directed to the procedure for invalidation of registered trademarks, Article 44 of the new Trademark Law provides that any party may request invalidation on an absolute ground; Article 45 specifies that only a prior right owner or interested party has the right to do so on a relative ground. This restriction, functioning to inhibit opposition raised and invalidation requested in bad faith, is good for shortening the time for trademark registration, maintaining the stability of registered trademarks, and protecting the interests of trademark owners.

4. Time limit specified for prosecution of applications for registration of all classes of trademarks

The prolonged time for applying for registration of trademarks has long been criticized. In particular, a case involving trademark right affirmation may even take several years. The new Trademark Law has simplified the procedure, and specified the time limit for examining or reviewing all sorts of trademark cases as elaborated below:

Application

Application for trademark registration: The Trademark Office shall finalise its examination or prosecution within nine months from the date of receipt of an application filed for registration of a trademark, and applications conforming with the law provisions shall pass the preliminary examination and be announced.

Reexamination of refusal of trademark application: The TRAB shall make its decision within nine months from the date of receipt of an application, and the time can be extended for three months upon approved under special circumstances.

Opposition

Trademark opposition: The Trademark Office shall decide on the registrability within twelve months from the date of expiry of the time of announcement, and the time can be extended for six months upon approval under special circumstances.

Reexamination of decision on registration refusal in case of tenable opposition: The TRAB shall make its reexamination decision within twelve months from the date of receipt of an application, and the time can be extended for six months upon approval under special circumstances.

Invalidation

Reexamination of the Trademark Office's invalidation

decisions: The TRAB shall make its decision within nine months from the date of receipt of an application, and the time can be extended for another three months upon approval under special circumstances.

Invalidation request filed on absolute ground accepted by the TRAB: The TRAB shall make its adjudication within nine months from the date of receipt of an application, and the time can be extended for six months upon approval under special circumstances.

Invalidation request filed on relative ground accepted by the TRAB: The TRAB shall make its adjudication within twelve months from the date of receipt of an application, and the time can be extended for six months upon approval under special circumstances.

Cancellation

Cancellation requested on the ground that a trademark in suit has become a generic name or it has not been in use for three consecutive years: The Trademark Office shall make its decision within nine months from the date of receipt of an application, and the time can be extended upon approval for another three months under special circumstances.

Reexamination of the Trademark Office's decision on cancelling or not canceling a registered trademark: The TRAB shall make its decision within nine months from the date of receipt of an application, and the time can be extended for three months upon approval under special circumstances.

III. Uses of trademarks

1. Uses of trademark defined

Article 48 of the new Trademark Law provides: "Uses of a trademark according to this Law shall refer to uses of a trademark on goods, package or containers of goods, and instruments of transaction of goods, or in advertising, publicity, exhibition, and other business activities to indicate the source of goods." A trademark is vital in use. Presence of use in the meaning of the Trademark Law involves many important basic issues, such as finding infringement and cancelling trademarks not in use for three consecutive years. Uses of trademarks used to be defined in the Regulations for the Implementation of the Trademark Law, at a lower level within the legal hierarchy. The present amendment has incorporated the concept in the Trademark Law, with an addition of the test "to indicate the source of goods", by which only

the uses to indicate the source of goods are uses of a trademark, thus bringing the concept of use of a trademark more in line with the legislative aim of the Trademark Law.

2. Provision added for possible cancellation of trademarks that have become generic names

Article 49, paragraph two, of the new Trademark Law provides: “Any entity or individual may request the Trademark Office to cancel the registration of a trademark that has become generic name of the goods in respect of which it is used or has not been in use for three consecutive years without justification”, in which the provision on possible cancellation of trademarks that have become generic names has been added. A trademark owner should pay attention, on the one hand, to how a trademark is used, but also to whether another person uses the trademark as a generic name. In case of the latter, the trademark owner should stop such use in time and take preventing measures.

3. Use of well-known trademarks standardised

Article 13 of the new Trademark Law provides: “A holder of a trademark known to the relevant sector of the public may, under this Law, request to establish it as a well-known trademark when he believes that his or its right is being infringed”, which specifies the standard of “being known to the relevant sector of the public” for establishing well-known trademarks.

With regard to establishment of well-known trademarks, it was suggested in the draft amendment the standard of “being used for a relatively long time and known to the relevant sector of the public” for establishing well-known trademarks. While many well-known trademarks, in the past, became well known after long and constant use, many examples now show that it does not necessarily take a long time for a trademark to be well known thanks to the latest developments of science and technology, particularly to the advancement of the internet industry. As a matter of fact, “relatively long time of use” is one of the factors considered in establishing well-known trademarks, but it repeats those specifically mentioned in Article 14 of the Trademark Law. For this reason, the expression used in the new Trademark Law is more appropriate.

Further, Article 14, paragraph one, of the new Trademark Law provides: “A trademark shall be established as a well-known trademark at the request of an interested party as a fact to be ascertained in a trademark case.” This provision reaffirms or reiterates the principle of establishment of well-known trademark *ad hoc* and passive protection thereof,

highlighting that to establish a well-known trademark is to ascertain a fact, not to grant some title of honour.

It is, however, a wide practice that well-known trademark owners publicise their established well-known trademarks, misleading consumers to believe that the quality of their goods or services has been recognised by the relevant Government agency and abusing the well-known trademark system. Therefore, Article 14 of the new Trademark Law has been revised by adding paragraph five: “Manufacturers and distributors shall not use the words of “well-known trademarks” on goods, package or containers of goods, or in advertising, publicity, exhibition, and other business activities”, and Article 53 provides for the penalty for such use: “In events of non-compliance with Article 14, paragraph 5, of this Law, local administrative authorities for industry and commerce shall order to rectify the non-compliances, and impose a fine of RMB 100,000 yuan.”

IV. Protection of exclusive right to use registered trademarks

1. Differentiated protection of exclusive right to use registered trademark and prohibitive right

In Article 57, paragraph one, of the new Trademark Law are enlisted acts of infringement of the trademark rights, including, among other things, “(1) use of a trademark identical with a registered trademark in respect of identical goods without authorisation of the trademark registrant; and 2) use of a trademark similar to a registered trademark in respect of identical goods without authorisation of the trademark registrant, or use of a trademark identical with or similar to another party’s registered trademark in respect of similar goods, which is likely to cause confusion”. Under these provisions, enhanced protection is accorded where identical trademark is used in respect of identical goods, namely, within the scope of use of the exclusive right to use a registered trademark, without considering the likelihood of confusion. In case of use of similar trademark in respect of identical goods or use of an identical or similar trademark in respect of similar goods, the “likelihood-of-confusion” standard is followed to accord somewhat elastic protection.

Meanwhile, to this paragraph has been added “(6) intentionally facilitating another party to infringe the exclusive right to use a registered trademark, or helping another party infringe the exclusive right to use a registered trademark,” thus making it clear that activities of helping others in their

infringement constitute infringement of trademarks, which is conducive to the protection of the exclusive right to use registered trademarks.

2. More stringent penalty on infringement

With regard to administrative penalty on trademark infringement, the amount of the imposed fine is specified, the word of “specially” changed into “mainly” in respect of destruction of tools used in trademark infringement. Also, there are more circumstances of heavier penalty and exemption from penalty, thus improving the administrative penalty system, and harmonising it more with the civil penalty system.

In respect of the civil penalty system, the ways to determine the amount of damages are specified: the amount of damages is determined in the order of the rightholder's real injury, infringers benefits because of the infringement and reference to the multitude of licensing royalties, which is the same way to determine the amount of damages for infringement in cases of infringement of patents, copyrights and the other IP rights. It is specially worth our attention that the new Trademark Law has provided for punitive damages: for infringement of the exclusive right to use registered trademarks in bad faith with serious circumstances, damages may be imposed at an amount more than one or less than three times the statutory amount of damages, a provision absent in the provisions on damages for infringement of the other IP rights.

In respect of the statutory-damages-applicable circumstances, the amount of damages has finally been fixed at the largest amount of statutory damages of RMB three million yuan, by far larger than that of RMB one million yuan in patent infringement cases and that of RMB 500,000 yuan in copyright infringement cases. The amount of statutory damages was increased gradually in the amendment made to the current Trademark Law, with the suggested largest amount of RMB at one million and two million yuan once, and finally increased to RMB three million yuan. The process of the Trademark Law amendment is an indication of the ever enhanced protection of trademark against infringement.

3. Rightholders' burden of proof in infringement cases lowered

In practice, it is often the case that evidence, such as account books, is in the hands of infringers, and it is not possible for rightholders to be awarded sufficient damages as it is difficult for them to get hold of the evidence. In the new Trademark Law has been incorporated the new provisions concerning burden of proof for fixing the amount of dam-

ages, that is, to determine the amount of damages, the people's court may, with the rightholder's being duly diligent in adducing evidence, and with the account books and other data relevant to infringement in the hands of infringers, order the infringers to provide the account books and other data relevant to infringement; where the infringers do not provide, or provide false, account books and other data the people's courts may decide on the amount of damages with reference to a rightholder's claim and his or its evidence.

4. Counterclaims against infringement improved

To the new Trademark Law have been added “legitimate use counterclaim” and “prior-use counterclaim” as defences against trademark infringement allegation. In respect of “legitimate use counterclaim”, Article 59, paragraphs one and two, of the new Trademark Law provides: “Where a registered trademark includes the generic name, shape or model of the goods in respect of which the trademark is used, or directly refers to the quality, main raw material, function, intended use, weight, quantity or other characteristics of the goods, or contains a geographical name, the owner of the exclusive right to use the registered trademark has no right to prohibit any other party from legitimate use of it”; and “where a three-dimensional registered trademark includes the shape generated by the character of the goods *per se*, shape of the goods that is needed for achieving the technical effect, or shape that gives the goods substantial value, the rightholder of the exclusive right to use the registered trademark has no right to prohibit any other party from legitimate use of it”.

Regarding the “prior-use counterclaim”, Article 59, paragraph three, of the new Trademark Law provides: “if, before the trademark registrant files an application for registration of a trademark, another party has already used, in respect of identical or similar goods before the trademark registrant, the trademark that is identical with or similar to the registered trademark and has certain influence, the owner of the exclusive right to use the registered trademark has no right to prohibit said user from continued use of the trademark within the original scope of use, but may request the latter to attach proper distinctive indication to the trademark used.”

The “legitimate use counterclaim” and “prior-use counterclaim” recently incorporated in the new Trademark Law will help inhibit trademark infringement lawsuit instituted or brought illegitimately or even in bad faith, protect the legitimate and prior use of trademarks, and keep a balance between the interests of trademark owners and prior users.

5. More circumstances of exemption from liability for damages

The current Trademark Law only provides for one circumstance of exemption from liability for damages in relation to “legitimate source”. To Article 64 of the new Trademark Law have been added new counterclaims for exemption from liability for damages, namely “where a rightholder of the exclusive right to use a registered trademark claims damages and the accused infringer defends himself or itself on the ground that the former does not use the registered trademark, the people’s court may require the former to provide evidence showing real use of the registered trademark in the previous three years. If the former cannot prove that he or it has used the registered trademark for the past three years, nor show the injury the infringement has done to him or it, the accused infringer is exempted from the liability for damages.” The newly-incorporated circumstance of exemption from liability for damages, based on non-use of trademarks, echoes the system of cancellation of trademarks not in use for three consecutive years” since a trademark that has not been in use for three consecutive years is cancellable under the law provision. It is a “dead” trademark in law though the cancellation procedure is yet to be initiated,⁵ and another party’s use of it would not cause any injury to the trademark owner. In case like this the accused infringer should not be held liable for damages, otherwise a trademark, registered but not put to real use, would be turned into a tool for seeking benefits from damages claims. Therefore, this provision will make it more possible for trademark owners to actively use their trademarks, and, as well, makes it less possible to make use of trademarks not in use to seek benefits in lawsuit.

IV. Administration of trademark agencies

Starting from 2003, establishment of a trademark agency does not require administrative examination and approval any more, and trademark practitioners no longer need to acquire their qualification to practice as trademark attorneys, which triggers violation of the honesty and credibility principle in competition, and inhibits the orderly development of the trademark agency industry. To better safeguard the interests of clients, and regulate the conduct of trademark attorneys, the new Trademark Law requires trademark agencies to abide by the honesty and credibility principle, not to register others’ trademark by unfair means when they

clearly know about them, and not to apply for registration of other’s trademarks, except providing them services as a trademark agency. Against any violation by a trademark agency, the new Trademark Law clearly provides for the penalties, including cessation of a trademark agency’s business and imposition of fine. Besides, the new Trademark Law also specifies the supervisory function of the trademark agency associations.

To conclude, the third Amendment to the Trademark Law, targeted at the problems arising in practice, has been made by eliciting comments and recommendations from all walks of life, reasonably and effectively resolved some problems that have long been drawing people’s attention, and further improved the trademark legal system in China. Meanwhile, what have been incorporated in the new Trademark Law, such as provisions regarding cessation of registration by unfair means based on contractual and other business relations, added counterclaims or defences against infringement allegation, and increased amount of the statutory damages, are somewhat elastic, leaving certain room for addressing issues likely to arise in the future. The new Trademark Law is scheduled to enter to force on 1 May 2014, and we shall be focusing our attention on all the latest developments in the implementation of the new Trademark Law. ■

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¹ See the Supreme People’s Court’s Opinion on Several Issues in Adjudication of Administrative Cases Involving Trademark Right Grant and Affirmation.

² See the Supreme People’s Court’s Opinions on Several Issues Relating to IP Adjudication under the Current Economic Situation in the Service of the Grand Situation, and Opinions on Several Issues Relating to Bringing IP Adjudication into Full Function to Promote Grand Development and Grand Prosperity of Socialist Culture and to Achieve Autonomous and Coordinated Development of Economy.

³ See the Supreme People’s Court’s Annual Reports on IP Cases from 2009 to 2012.

⁴ See Zhang Xiaosong and Cui Qingxin, Provisions Allowing Registration of Single-colour Trademarks Deleted in the Draft Amendment to the Trademark Law at http://news.xinhuanet.com/legal/2013-06/26/c_116299459.htm.

⁵ Kong Xiangjun, Basic Issues of Trademark Law Application, the China Publishing House of Legal System.