



September 3, 2013

Intellectual Property Law

New Amendments to the PRC Trademark Law

Estella CHEN | Vivian WANG

On August 30, 2013, the 4th session of the Standing Committee of the twelfth National People's Congress enacted the *Decision on Revising the PRC Trademark Law* (the “**Revising Decision**”), which will take effect on May 1, 2014. The details of the Amendments are as follows:

1. Major Revisions on Trademark Opposition

The Revising Decision made significant amendments regarding the trademark opposition system, which can be embodied in the following four aspects:

a) Limit the Grounds for an Opposition

The current Trademark Law has not limited the grounds for raising an opposition. However, the Revising Decision clearly limits the grounds for an opposition and categorizes the grounds into two types: (i) where the application for trademark registration violates the provisions of paragraph 1 and 2 of Article 13, Article 15, paragraph 1 of Article 16, Article 30, Article 31 and Article 32 of the Trademark Law¹; and (ii) where the application for trademark registration violates the provisions of Article 10 and Article 12.²

b) Specify the Parties that can File an Opposition

Regarding the above-mentioned (i) category where the grounds for an opposition are infringements on pre-existing rights, the party that can file an opposition has no longer been “anyone”, but be specified as “the owner of a pre-existing right or any interested party that believes the trademark registration application infringes its pre-existing right.” Regarding the above-mentioned (ii) category where the grounds for an opposition are the signs shall not be

¹ i.e., where the application infringes on pre-existing rights such as the well-known trademark right, right of prior users and principals, geographical indication certification trademark right and pre-registered trademark right.

² Where signs should not be used or registered as trademarks.

used or registered as trademarks, the provision remained unchanged and anyone can file an opposition.

c) Remove the Procedure that requires TRAB to conduct reexaminations on Trademark Opposition

The Revising Decision states that the Trademark Office shall, after the examination of a trademark registration opposition, directly decide whether to approve the registration or not. The Revising Decision provides different resolutions for the opponent and the respondent who is dissatisfied with the ruling on the trademark opposition. Where the Trademark Office believes that an opposition is untenable and approves the registration, the opponent cannot apply for reexamination and can only make a request to declare such registered trademark invalid. Where the Trademark Office believes that an opposition is tenable and disapproves the registration, the respondent may file an application for reexamination on the disapproval of registration with the Trademark Review and Adjudication Board (“**TRAB**”). Respondents who are dissatisfied with the decision made by TRAB may file an administrative lawsuit with a people's court.

Since the Revising Decision cancels the procedure that requires TRAB to conduct a reexamination on the trademark opposition, we suggest that procedures such as evidence exchange and giving cross-examination opinions shall be added in the examination on the opposition of the Trademark Office. The purpose of this is to ensure that the Trademark Office can make a decision after fully understanding both parties' conditions. Otherwise, such provision that disallows a reexamination after ruling an opposition is untenable and approves the registration will seem too careless and unfavorable to the opponent, especially to the prior user and principal who does not apply for trademark registration in time.

d) Stipulate the Period for Examination of Trademark Applications

As to the period for examination of an opposition, the Revising Decision clearly stipulates that the Trademark Office shall decide whether to approve a registration within 12 months after the expiration of the publication period. If an extension is needed due to special circumstances, a 6-month extension may be allowed upon approval from the State Administration for Industry and Commerce (“**SAIC**”).

As to the period for the respondent to file an application for reexamination after the registration has been disapproved, the Revising Decision clearly stipulates that TRAB should carry out the reexamination ruling within 12 months after the receipt of application. If an extension is needed due to special circumstances, a 6-month extension may be allowed upon approval from SAIC.

We think that the above four revisions will reduce the number of trademark oppositions in the future to a relatively great extent, shorten the examination time period of an opposed

trademark, and lessen the number of trademark opposition cases aimed at preventing or delaying the registration of similar trademarks, which has been often used as a trademark protection strategy.

2. Strengthen Protection on Prior Users

a) Strengthen Protection on Prior Users in the Opposition Procedure

Under the current Trademark Law, if a prior trademark user cites the provision of Article 15³ as the opposition grounds, the prior user will need to prove the existence of an agency contract or representation contract between the two parties in order to prevent the other party's registration. If a prior trademark user cites the provision of Article 31⁴ as the opposition grounds, the prior user will need to prove that the prior trademark has a certain reputation in order to prevent the other party's registration.

The Revising Decision clearly states that if a prior user can prove that the applicant has a contractual relationship other than an agency contract or representation contract, and a business relationship or any other relationship that clearly verifies the awareness of the existence of the trademark, the registration for such trademark shall be prevented. According to the Revising Decision, the prior user does not need to prove the existence of an agency relationship or representation relationship, or the reputation of the prior trademark. However, in practice it is not clear how the Trademark Office will operate to identify the applicant's awareness of the existence of the trademark due to any other relationship between the applicant and the prior user.

b) Clarify Prior Trademark Use Rights

The Revising Decision also sheds some light on the prior trademark use rights system. Prior to the application of the trademark registrant, if another party has used an identical or similar trademark, which has produced a certain influence, to the registered one on the same or similar goods, the owner of the registered trademark is not entitled to prohibit such user from continuing to use such trademark within the original scope of use. However, it can require such user to add appropriate signs to distinguish the trademark.

Such provision is intended to compensate for some insufficiency of the principles for trademark registration and prior application, protect fair competition, and balance the interests between the trademark registrant and the prior user. However, coming up with a method that defines the certain influence, the original scope of prior use, ways of use, geographical restrictions and transfer of prior use rights still needs to be further considered in the follow-up provision and practice.

³ Where an agent or representative in its own name registers a trademark of one of its principals without authorization, and the principal opposes the registration, the trademark shall not be registered.

⁴ An application for trademark registration shall not prejudice any pre-existing right of others. It is prohibited to forestall the registration, through any improper means, of a trademark that is already used by another party and has produced a certain influence.

3. Strengthen Protection on Exclusive Rights to use Trademarks

a) Introduce Punitive Damages

The Revising Decision adopts the internationally accepted system of punitive damages for malicious infringement. For ordinary trademark infringement, the amount of damages shall be determined according to the actual losses of the right owner caused by the infringement or the benefits gained by the infringer from the infringement, or may be determined according to the royalties for such registered trademark. Where the infringement on the exclusive right to use a trademark is committed maliciously and involves serious circumstances, the amount of damages may be more than the amount determined according to the above methods, but not more than three times of the above amount. The amount that exceeds the actual losses represents a type of punitive damages.

We believe that the establishment of the system of punitive damages will play an important role both in punishing the infringer and preventing potential infringers from engaging in similar illegal actions, thereby enhancing the determination and activities of the trademark right owners to protect their rights.

b) Significantly increase the amount of Statutory Damages

The Amendments increase the amount of statutory damages. The maximum amount of statutory damages that a people's court may determine has been increased from RMB 500,000 to RMB 3,000,000. In the event that the actual losses of the right owner are caused by the infringement, the benefits gained by the infringer from the infringement and the royalties for such registered trademark will be difficult to determine.

c) Relieve the Burden of Proof on Right Owners

The Revising Decision relieves the burden of proof on right owners. In order to determine the amount of damages, if the right owner has made its endeavor to provide evidence, and the account books and materials related to the infringement are mainly possessed by the infringer, the people's court may order the infringer to provide such account books and materials related to the infringement. If the infringer fails to provide, or provides false account books and materials, the people's court may determine the amount of damages by referring to the claims made and the evidence provided by the right owner.

We believe that the above provision represents somewhat of a solution to making sure that right owners are properly compensated, and it is likely that the Revising Decision will evoke a wave of interest for right owners to protect their rights.

4. Stipulate the Periods of Administrative Procedures for Trademark Examination

The Revising Decision clearly stipulates the periods of administrative procedures for trademark

examination for the first time, and the details are as follows:

a) Stipulate the Period of Trademark Registration, Trademark Opposition and Cancellation Application for the Trademark Office

The Trademark Office shall complete the examination of trademark registration within 9 months upon the receipt of trademark registration application documents.

The Trademark Office shall decide, within 2 months upon the expiration of the publication period, whether to approve the registration where an opposition is filed against a trademark after its preliminary approval and publication. If an extension is needed due to special circumstances, a 6-month extension may be allowed upon approval from SAIC.

The Trademark Office shall decide, within 9 months upon the receipt of the application, whether to cancel a registered trademark. If an extension is needed due to special circumstances, a 3-month extension may be allowed upon approval from SAIC.

b) Stipulate the Periods of Reexamination on Application Dismissal, Registration Cancellation, Registration Disapproval and Invalid Procedures for TRAB

TRAB shall make the decision within 9 months upon the receipt of application for a reexamination to dismiss an application. If an extension is needed due to special circumstances, a 3-month extension may be allowed upon approval from SAIC.

The Trademark Office should make the decision, within 9 months upon the receipt of the application, made by the parties, for a reexamination to review the Trademark Office's decision regarding whether to cancel a trademark. If an extension is needed due to special circumstances, a 3-month extension may be allowed upon approval from SAIC.

TRAB shall make the decision, within 12 months upon the receipt of the application, made by the respondent, for a reexamination to review the Trademark Office's decision of disapproving a registration. If an extension is needed due to special circumstances, a 6-month extension may be allowed upon approval from SAIC.

TTAB shall make the decision, within 9 months upon the receipt of the application, made by the parties, for a reexamination to review the Trademark Office's decisions which declare the registered trademark invalid. If an extension is needed due to special circumstances, a 3-month extension may be allowed upon approval from SAIC. Where the application is made by any other entities or individuals in accordance with Article 44 of the Trademark Law, TRAB shall make a decision within 9 months upon the receipt of the application. If an extension is needed due to special circumstances, a 3-month extension may be allowed upon approval from SAIC.

Where the pre-existing rights owner and interested parties file an application to declare a registered trademark invalid in accordance with Article 44 of the Trademark Law, TRAB shall

make a decision within 12 months upon the receipt of application. If an extension is needed due to special circumstances, a 6-month extension may be allowed upon approval from SAIC.

In comparison with the real periods for trademark examination in practice these years, the above periods provided by the Revising Decision are shorter to some extent.

We believe, that this represents a significant development for registrants as the Revising Decision clearly stipulates the periods for different stages in trademark administrative procedures for the first time. As a result, a specific timetable has been formed to determine whether a trademark can be successfully registered, and thus corporate strategies for trademark use and protection will be more accurate. Therefore, the function of the Trademark Law to protect registered trademarks will have a greater effect.

5. Prohibit the use of Well-known Trademarks in Commercial Advertisements and clarify the Circumstances and Authorities for Well-known Trademarks' Recognition

The Revising Decision prohibits the use of well-know trademarks in commercial advertisements and clarifies the circumstances and authorities for well-known trademarks' recognition.

a) Add the Prohibitive Provision and Penalty Provision for the use of Well-known Trademark Wording

As to the use of well-known trademark wording, the Revising Decision clearly stipulates that “manufacturers and dealers should use well-known trademark wordings on their products, packages or containers; or in advertising, exhibition or other commercial activities. The Revising Decision also stipulates the corresponding penalty provision. If the said provision is violated, the local administrative department for industry and commerce can impose a fine of RMB 100,000. A well-known trademark under the Trademark Law will only be recognized factually when the mark needs to be protected as a well-known trademark in a specific case. As a result, a well-known trademark is not considered an honorable title. However, in practice, a lot of companies overuse and over-advertise well-known trademarks, which deviate from the original meaning of the well-known trademark under the Trademark Law. The purpose of the said provision of the Revising Decision is to prevent the over-advertisement of well-known trademarks by companies.

b) Clarify the Circumstances and Authorities for Well-known Trademarks' Recognition

Before the promulgation of the Revising Decision, the regulations regarding the circumstances and the authorities for well-known trademarks' recognition can be sporadically found in the *Provision of the State Administration for Industry and Commerce on the Determination and Protection of Well-Known Trademarks and Interpretation of the Supreme People's Court on Several Issues on the Application of Law to the Trial of Cases of Civil Disputes over the*

Protection of Famous Trademarks. The Revising Decision puts together these regulations in the Trademark Law.

6. Strictly Regulate the Activities of Trademark Agencies

a) Informing Obligation of Trademark Agencies

The Revising Decision provides that if trademarks applied for registration by the principals are prohibited to register under the Trademark Law⁵, the trademark agencies shall clearly inform the principals.

b) Strictly prohibit malicious agent activities by the trademark agencies

Malicious agent activities strictly prohibited by the new law include: 1) where an agent or representative registers, in its own name, a trademark of one of its principals without authorization; 2) where the applicant has a contractual relationship other than an agency contract or representation contract, and a business relationship or any other relationship with others that clearly verifies the awareness of the existence of the trademark, and then files an application to register an identical or similar trademark on the identical or similar goods as the unregistered mark used by others; 3) where an application for registration may prejudice the pre-existing rights of others or forestall the registration, through any improper means, of a trademark that is already used by another party and has produced a certain influence. If a trademark agency knows or should have known the above-mentioned circumstances, it should not accept the consignments

In addition, the Revising Decision clearly prohibits a trademark agency from filing an application to register any trademark other than a trademark for its own agency services.

c) The Penalty Provision for Trademark Agencies

The Revising Decision imposes a fine of between RMB 10,000 to RMB 100,000 on trademark agencies, if their activities are in violation of the provisions as stated in Item (2) above, or if they engage in activities of transforming or counterfeiting legal documents, or using such false documents, seals and signatures. Furthermore, the person in charge or other directly responsible person shall be subject to an admonition or a fine of between RMB 5,000 to RMB 50,000, and even be subject to criminal liabilities if his acts constitute a criminal offense. If this is a serious case, the Trademark Office and TRAB may decide to suspend its trademark agent business and make a public announcement.

We believe, the above provisions stipulate a relatively high level of standards for agent capabilities and good faith in trademark agencies, which will have a strong deterrent and suppressing effect on the bad faith activities and malicious forestalling registration conducted by some trademark agencies.

⁵ Where the signs should not be used or registered as trademarks in accordance with Article 10, Article 11 and Article 12.

7. Revisions on Trademark Application

a) Simplify Trademark Application Documents

The Revising Decision provides that the applicant may file one application for registering the same trademark for the goods in several classes, thus changing the previous provision of “one application for one class” and simplifying the application documents and procedures. However, it is still not clear as to how to prepare application documents when filing one application for registering the same trademark for the goods in several classes. This needs be clarified in the follow-up provisions from SAIC.

b) Add Eligible Trademark Element for Registration

The Revising Decision adds a new eligible trademark element for registration, providing that sound can be registered as a trademark.

8. Other Major Revisions

a) Add one more Condition to Apply for Canceling Registered Trademarks

Where the use of a registered trademark has ceased for three consecutive years, anyone may apply to the Trademark Office for cancelling such registered trademark. In addition, the Revising Decision also provides that where a registered trademark has become the generic name of its designated goods, anyone may apply to the Trademark Office for cancelling such registered trademark.

b) Add a Situation of not being Liable for Compensation

The Revising Decision adds the provision that if the owner of the exclusive right to use a registered trademark claims damages and the alleged infringer makes defenses on the grounds that the right owner fails to use the registered trademark, the people's court may require the right owner to provide evidence showing its actual use of such registered trademark within the previous three years. If such owner can neither prove its actual use of such registered trademark within the previous three years nor prove that it has suffered any other loss as a result of the infringement, the alleged infringer shall not be liable for compensation.

According to above provision, if the right owner does not use the registered trademark after registering, it may only prevent the infringer from using such trademark, rather than obtain compensation.

c) Relationship with PRC Anti-unfair Competition Law

The Revising Decision provides that where a party uses another's well-known trademark or registered trademark as a trade name in its enterprise name that misleads the public and constitutes unfair competition, it shall be handled in accordance with the PRC Anti-unfair Competition Law.

Important Announcement

This Legal Commentary has been prepared for clients and professional associates of Han Kun Law Offices. Whilst every effort has been made to ensure accuracy, no responsibility can be accepted for errors and omissions, however caused. The information contained in this publication should not be relied on as legal advice and should not be regarded as a substitute for detailed advice in individual cases.

If you have any questions regarding this publication, please contact **Estella Chen (+86-10-8525 5541; estella.chen@hankunlaw.com)**.