

## **Key Issues regarding the Third amendment to PRC Trademark Law**

August 30, 2013.

On August 30, 2013, the Standing Committee of the National People's Congress issued the Third Amendment to PRC Trademark Law (the "Amendment"). The new Trademark Law based on this Amendment will enter into force on May 1, 2014.

In general, the Amendment improves the legal framework regarding critical issues such as trademark application, review and opposition, trademark use, assignment and extension, trademark infringement and punishment, etc. The main changes in detail are clarified as follows:

### **1. Increase of "Good Faith" Principle (Article 7 of new Trademark Law)**

The Amendment introduces the "good faith" principle (or "honest and trust principle") to the Trademark Law on trademark registration and use. This principle is regarded as the safeguard to provide the final remedy for cases that cannot be tackled through the existing trademark regulations.

### **2. Expansion of Trademark Form for Registration (Article 8 of new Trademark Law)**

The Amendment adds "sound" as one form of trademark for registration.

### **3. Well-Known Trademark (Article 14 of new Trademark Law)**

First, the Amendment specifies the elements which shall be considered in order to define a well-known trademark, including i) trademark popularity to the public; ii) how long the trademark has been used; iii) duration, extent and scope of trademark advertisement; iv) records of trademark protection; v) others relevant elements.

Second, the Amendment explicitly prohibits the manufacturer or business operators to use the term "well-known trademark" on products, packages or containers of products, or to use for advertising, exhibition or any other business activities. Anyone who violates this rule shall be liable for monetary penalties which are equivalent to RMB 100,000.

### **4. Restraint of Trademark Squatting (Article 15 of new Trademark Law)**

The Amendment explicitly prohibits representatives, trademark agents, and those who have business relationship with the trademark owners to register the identical or similar trademark on same or similar products.

### **5. Requirements to Trademark Agencies (Article 19 of new Trademark Law)**

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The Amendment creates rules for the first time to regulate the registration activities of trademark agencies. Trademark agencies shall be responsible to comply with the "good faith" principle, relevant laws and regulations of China, as well as confidentiality obligation. Besides, trademark agencies shall not apply for any other trademarks for their own purpose except trademarks applied for their clients.

## **6. Change of Trademark Application Methods (Article 22 of new Trademark Law)**

First, the Amendment simplifies the trademark application procedure by allowing the applicant to submit one application for one trademark in several different classes.

Second, the Amendment allows the applicant to submit the registration documents in written form or electronic forms.

## **7. Clarification of Time Limit to the Official Review by Chinese Trademark Office ("CTMO")**

The Amendment clarifies the official time limit to different aspects regarding trademark registration procedure which is collected in the table below:

Procedure	Time Limit (Month)	Extension (if required)	No. of Article of New Trademark Law
Application	9	N/A	28
Review on rejection	9	3	34
Opposition	12	6	35
Review on opposition filed by the applicant	12	6	35
Invalidation on absolute reasons	9	3	44
Review on invalidation decision made by CTMO on absolute reasons	9	3	44
Invalidation on relative reasons	12	6	45
Cancellation by CTMO	9	3	49
Review on cancellation in Trademark Review and Adjudication Board ("TRAB") of China	9	3	54

## **8. Change of Opposition Procedure (Article 33 and 35 of the new Trademark Law)**

First, the Amendment distinguishes the applicant who can file an opposition due to absolute and relative reasons and narrows the applicant due to relative reason. According to Article 33 of the new Trademark Law, only the owner of a prior right or an interested party of the trademark may file the opposition to the CTMO due to

relative reasons, comparing to any party who can file the opposition before. On the other hand, the previous rule that anyone can file an opposition due to absolute reasons is not changed.

Second, if an opposition of trademark registration is refused by the CTMO after the review, the CTMO will approve the application and the opposing party shall only apply to the TRAB for the remedy through a new procedure – "invalidation". (Article 35 of the new Trademark Law)

#### **9. Trademark Extension (Article 40 of the new Trademark Law)**

The Amendment makes a change to the period applicable for the trademark extension. According to Article 40 of the new Trademark Law, the extension of registered trademark can be filed to the CTMO 12 months before the expiration date, comparing to 6 months under the previous law. The 6 months for the extension after the expiration date ("Grace Period") will still exist in the new Trademark Law.

#### **10. Trademark Assignment (Article 42 of the new Trademark Law)**

First, compulsory assignment: where the trademark is assigned, if the assignor has registered the similar trademarks on the same products or registered the identical or similar trademarks on the similar products, those trademarks shall be assigned concurrently.

Second, limit to the assignment: CTMO will not approve the assignment which may easily cause confusion or other negative influence.

#### **11. Trademark License (Article 43 of the new Trademark Law)**

The Amendment regulates that the license of trademark shall be filed to the CTMO and noticed to the public, otherwise, the license cannot be defended against the third parties in good faith.

#### **12. New Definition "Invalidation" (Section 5 of the new Trademark Law)**

The Amendment distinguishes the application of trademark invalidation due to different reasons. Anyone can file the trademark invalidation due to the absolute reasons as well as the registration through fraud or other wrongful activities (Article 44 of the new Trademark Law), meanwhile, only the owner of a prior right or an interested party of the trademark may file the trademark invalidation due to the relative reasons (Article 44 of the new Trademark Law).

#### **13. Revocation of Trademark (Article 49 and 54 of the new Trademark Law)**

The Amendment regulates that any legal entity or individual may apply to the CTMO for the revocation of the trademark that is considered as a generic name of products in the place where it is registered or that hasn't been used for successive 3 years

without reasonable reasons. The trademark right is terminated on the date of revocation notice.

**14. Restriction of Trademark Registration (Article 50 of the new Trademark Law)**

The Amendment regulates that CTMO shall not approve the registration of trademark which is identical or similar to the revoked or invalid or non-extended trademark within one year after it is revoked or invalid or not extended.

**15. Adjustment of Trademark Infringement Behavior (Article 57 of the new Trademark Law)**

First, the Amendment clarifies the following behaviors involving trademark infringement:

- i) Using the trademark identical to registered trademark on the same product;
- ii) Using the trademark similar to the registered trademark on the same product;
- iii) Using the trademark identical or similar to the registered trademark on the similar product that may easily cause confusion.

Second, the Amendment increases one situation that may cause trademark infringement:

- i) Deliberately facilitating the trademark infringement activities or helping others with trademark infringement activities.

**16. Trademark and Trade Name (Article 58 of the new Trademark Law)**

The Amendment regulates that if any company uses a registered trademark or a unregistered well-known trademark as its trade name which causes public confusion, Anti-Unfair Competition Law will be applied.

**17. Fair Use or Prior Use of Trademark (Article 59 of the new Trademark Law)**

a. Fair Use

The Amendment regulates that the trademark owner cannot prevent others from using the generic name, picture, model type of products, or descriptive features of products including quality, main materials, function, use, weight, quantity, etc, or geographic name which is included in the registered trademark. It is regarded as the fair use of the registered trademark and the user will not cause the trademark infringement.

Moreover, the Amendment regulates that the trademark owner cannot prevent others from using the trademark with 3D logo which includes i) shape created by nature of

products; ii) product shapes required to obtain the technology effect; or iii) the shape creating substantial value of products.

b. Prior Use

If any legal entity or individual has used the trademark before the application date of the trademark and already obtained certain influence to the public, such legal entity or individual may continue to use its trademark after an identical or similar trademark is registered in identical or similar products. However, the continued use shall be limited to the original scope, and the trademark owner may ask the prior user to add marks to its trademark in order to distinguish two trademarks.

**18. Damage Calculation Method (Article 63 of the new Trademark Law)**

First, the Amendment regulates the method of damage calculation due to the infringement as follows:

- i) The damage amount is calculated according to the actual loss suffered by the trademark owner;
- ii) If the actual loss is hard to determine, the damage amount is calculated according to the profit gained by the trademark infringer;
- iii) If both the actual loss and infringer's profit are hard to determine, the damage amount shall be calculated according to the reasonable times of trademark license fee. Under the current law, the trademark registrant can elect its actual loss or infringer's profit;
- iv) If the trademark infringement is in bad faith and severe, the punitive damages shall apply and the damage amount can be 1 to 3 times of the normal amount mentioned above.

This is the first time to introduce "punitive damages" concept in the Trademark Law.

Moreover, the trademark infringer shall provide its financial books as evidence to show its profit if the trademark owner is difficult to obtain such information and the court requests the infringer to do so. If the infringer doesn't provide such information, the court may calculate the damage amount only based on the evidence provided by the trademark owner.

Second, the Amendment increases the maximum of statutory damage amount to RMB 3 million, comparing to RMB 500,000 in the previous law, which may significantly restrain trademark infringement.

**19. Non-used Trademark for Three Years (Article 64 of the new Trademark Law)**

The Amendment regulates that the trademark owner will not be compensated from the infringer if the trademark owner cannot prove its use of the trademark in the past three years and cannot prove any other loss.

## **20. Punishment to Trademark Agencies (Article 68 of the new Trademark Law)**

Besides the requirements to the trademark agencies, the Amendment also regulates certain types of punishment to the trademark agencies according to different levels of wrongful activities they conduct, including official warning, rectification, monetary penalties, bad credit recording, rejection of trademark application by agencies, and criminal liabilities.

### **Summary**

The Amendment has made a significant improvement in the trademark framework of China in order to adapt the development of intellectual property and new requirements on trademark management.

Based on the trademark practices of the past 10 years, the Amendment stipulates new rules to regulate the existing trademark issues and problems.

Among others, the Amendment brings at least the following improvement/achievement in details:

- a. Stipulate explicitly the "good faith" principle in order to safeguard the trademark protection;
- b. Clarify the time limit of official reviews in order to increase the efficiency of trademark registration;
- c. Simplify the trademark application procedure;
- d. Prohibit the wrongful use of the term "well-known trademark" to prevent unfair competition;
- e. Reinforce the management of trademark agencies and stipulate the corresponding responsibilities and liabilities;
- f. Increase the cap of penalties due to trademark infringement and stipulate explicitly the punitive damages in order to restrain the infringement.

However, there are comments on certain new changes which are unclear or to be further specified as follows:

- a. **Electronic Application**

Even though the application method expands the electronic form, the detailed procedure and requirements on such matter are to be specified.

- b. **Lack of Review Procedure Due to the Rejection of Opposition**

According to the Amendment, if the opposition is rejected by the CTMO, the opposition applicant cannot request the review by TRAB. Instead, the applicant may only apply for the "invalidation" procedure. As a result, even if the trademark is

determined to be invalid by the TRAB afterwards, the trademark has been registered when the opposition is rejected and may be used for a period, which will probably affect the benefit of opposition applicant in a negative way. Since such case may probably involve the trademark registration in bad faith, it will be even worse if the trademark owner in bad faith alleges the trademark infringement of the opposition applicant – "actual trademark owner".

"Absolute reasons" refer to the elements which cannot be registered as the trademark regulated in Article 10, 11 and 12 of the new Trademark Law.

"Relative reasons" refer to the situation under which the trademark is applied for in Article 13, 15, 16, 30, 31 and 32 of the new Trademark Law.