

## LEGISLATION UPDATE



■ **TIGER ZHAO**  
Partner, Attorney at Law  
and Trademark Attorney at  
HFG Law Firm

## CHINA TRADEMARK LAW THIRD AMENDMENTS: IMPORTANT CHANGES IN THE DRAFTS

China's Trademark Law was adopted in 1982. After amended in 1993 and 2001 respectively, the law is now under the third amendments. The first draft amendments ("Draft 1") was publicized at the official website of the National People's Congress (the "NPC") at the end of 2012 for public opinions and the second draft ("Draft 2") based on public opinions was examined by the NPC Standing Committee at the end of June 2013.

According to Draft 1 and Draft 2, there are quite a few important changes to current law that trademark proprietors should note:

### Trademark registration application

Single color and sound are acceptable for trademark registration according to Draft 1. In Draft 2, sound is remained as registrable trademark while single color is deleted.

Electronic filing and multi-class application are adopted in both drafts. If they are adopted in the final amendments, trademark proprietors can expect saving in trademark application cost.

### Trademark collective assignment

Trademark collective assignment has already been provided in the examination rules used by China Trademark Office (the "CTMO") and now it is to be formally adopted in the law. It is provided in Draft 2 that when a trademark registrant files request for assignment of its registration for one trademark, its registrations for all identical and similar trademarks on identical and similar goods/services should be collectively assigned at the same time.

Under this provision, trademark proprietors need to make comprehensive review of related registrations in trademark transaction and make necessary preparations.

### Trademark opposition

Trademark opposition procedure is one of the significant changes in the third amendments. The opposition procedures provided in Draft 1 is remained in Draft 2 which is, if the opposer wins the opposition, the trademark applicant may appeal and the appeal procedures are same with current law; if the opposer loses the opposition, the opposition procedure ends here and the opposed trademark should be approved for registration. If the opposer wants to further challenge the trademark, the action to take is invalidation with the Trademark Review & Adjudication Board (the "TRAB").

This change has been causing wide discussion among trademark proprietors. Based on current opposition winning rates, trademark proprietors have enough reason to worry that bad faith applications will be easier to get registrations and cracking down bad faith registrations will be more difficult under the new law because challenging a trademark with stable legal status will be much more difficult than a trademark in unstable status.

It is not mentioned in both drafts if there will be evidence exchange procedure in opposition. There is no under current law but it will be reasonable to have this procedure in the new law based on above change.

### Prior use right

It is provided in Draft 1 and remained in Draft 2 that if a 3rd party has already been using an identical or similar trademark on identical or similar goods before the trademark registrant's application of that trademark is filed, that 3rd party shall have the right to continue to use that trademark in the scope as it has been using.

### Punitive damages and statutory damages

The general principle applied in China's civil damages is no punitive damages. That means, the highest damages a person can obtain is the amount of actual loss, or the amount the infringer gained, or the amount of the actual royalties. Punitive damages is added in Draft 1 and remained in Draft 2 which provides a range from one to three times of above amount.

In addition to punitive damages, the statutory damages is also improved. The upper limit is increased from RMB500,000 to RMB1,000,000 in Draft 1 and further increased from RMB1,000,000 to RMB2,000,000 in Draft 2.

### Definition of trademark use adopted

The definition is amended in Draft 2 as "affixing trademarks to commodities, commodity packages or containers, commodity transaction documents, or in advertisements, exhibitions and other commercial activities, **which is for identification of source of commodities/services**". The last sentence is added to the current definition which is to strengthen the function of trademark. Under current law, requirement for trademark use in different actions is different. For instance, OEM use is qualified trademark use in non-use cancellation. If above change is adopted in the final amendments, it is to monitor if this new definition will change current practice especially in non-use cancellation.

Other notable changes include:

- Timeframe for examinations by CTMO and TRAB provided in Draft 2.
- A new type of infringement is added in Draft 2 which is helping others' in trademark infringing activity by intentionally providing convenience. Judicial practice already determined landlord's liability in trademark infringement and indirect infringers from other areas can be pursued liability if this new type is adopted in the final amendments.
- Draft 2 provides that recognized well-known trademark is no longer allowed to use in advertising and otherwise can be subject to administrative fine of RMB100,000.



■ **A:** 14/F, Huaqi Building,  
no. 969 Wuding Road,  
Jing'An District, 200040,  
Shanghai  
■ **T:** +86 (21) 52135500  
■ **F:** +86 (21) 52130895  
■ **E:** tzhao@hfgip.com