

Intellectual Property - China

Implementing regulations of amended Trademark Law now in force

Contributed by **Wan Hui Da Intellectual Property Agency**

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Author

Paul Ranjard



Introduction

On May 1 2014 the newly amended Trademark Law entered into force. The implementing regulations of the Trademark Law thus needed to be revised to accord with the new amendments. In September 2013 the China Trademark Office and the Trademark Review and Adjudication Board (TRAB) issued a first draft of the regulations and called for public comment. In November 2013 the Trademark Office and the TRAB issued a second draft and, after receiving comments, transmitted the draft to the State Council. The final text was published on April 29 2014 and entered into force on the same day as the new law.

This update highlights the main points of the implementing regulations, presented according to the Trademark Law's new provisions on substantive, procedural, administrative and enforcement matters.

Substantive matters

Sounds

One of the main changes introduced by the new law (Article 8) is the adoption of "sounds, etc" as a new type of trademark. Article 13.4 of the implementing regulations explains how a trademark application for a sound should be submitted:

"(the sound) shall be described on a musical staff or through numbered musical notations, accompanied by a textual description, if the sound cannot be described on a musical staff or through numbered notation, the applicant shall describe it in words."

Generic trademarks

Another novelty of the new law is the possibility, open to any person, to apply for revocation of a trademark that has become the generic name of the designated goods (Article 49.2). Article 65 of the implementing regulations provides that the Trademark Office will notify the trademark owner that an application for revocation had been made. The trademark owner should file its response within two months of the notification; the absence of a response does not affect the Trademark Office's decision.

Procedural matters

Recipient for foreign trademark owners

Article 5 of the implementing regulations provides that foreign trademark owners must designate a recipient based in China to receive all documents sent by the Trademark Office or the TRAB for administrative procedures related to the trademark. This measure reflects the administration's intention to cease serving documents on parties located outside China and is simpler than the proposals in the earlier drafts.

Electronic submission of documents

Articles 9 and 10 of the implementing regulations relate to Article 22 of the new law, which stipulates that documents may be submitted to the Trademark Office or the TRAB in electronic format (ie, online). These implementing articles provide detailed measures to determine the exact time of service and receipt of documents, according to the manner in which they are submitted and served.

Timeframe for decisions and suspension of cases

One of the main features of the new law is the imposition of strict deadlines on the Trademark Office and the TRAB for examining cases and rendering decisions (nine months for trademark examination and a maximum of 12 months or 18 months for cases, according to their level of complexity). Previous drafts of the implementing regulations proposed that the time allotted to litigating parties to file

additional arguments or evidence be correlatively shortened (eg, 30 days instead of three months). However, the final text maintains the initial timeframe for the parties to conclude their arguments and provides (Article 11 of the implementing regulations) that such time will "not be included in the time limit for trademark examination or review". The same article provides that whenever a case must be suspended to await a decision on the existence of a prior right, the duration of the suspension will also be deducted.

Unfortunately, the possibility for the parties to ask jointly for a time suspension while they negotiate a settlement, which was included in previous drafts, was not included in the final version of the law.

Multiclass applications and separation of applications

The possibility to file one trademark application designating goods or services in several classes is provided in the new law. Unfortunately, this limits the possibility to divide an application so that the Trademark Office may approve registration for part (rather than all) of the designated goods or services. Article 22 of the implementing regulations stipulates that the applicant has 15 days to file a request for separation of the application into two parts – the approved portion (which is then published) and the refused portion (which will possibly be subject to review before the TRAB).

Examination notice

Article 29 of the new law brings more flexibility to the registration procedure by allowing applicants to explain or amend a trademark application following receipt of an examination notice. Article 23 of the implementing regulations specifies that the applicant has 15 days to file the explanation or amendment.

Oppositions

One of the welcome changes introduced by the new law (Article 33) is that an opposition based on the existence of a prior right (ie, a "relative ground of refusal") can be filed only by the owner of such prior right. Article 24 of the implementing regulations stipulates that the opponent should submit identification documents and documents "certifying that it is the owner of an existing prior right" along with its application to the Trademark Office. According to Article 26 of the implementing regulations, the Trademark Office may refuse to docket an opposition if the opponent does not comply with Article 33 of the new law, thus making the documentary evidence of the prior right a prerequisite for the acceptance and docketing of the opposition.

This raises the issue – pointed out in the draft commentary, but ultimately overlooked in the final version – of how to address situations in which the prior right is an unrecorded copyright or the prior use is of an unregistered trademark. The existence of such a prior right requires a full set of evidence that cannot be provided along with the opposition. This is a substantive issue that should be subject to a decision on the merits of the case, not a pre-condition for acceptance and docketing of the case.

However, the good news is that the available time to file additional evidence and arguments – which had been reduced to 30 days in the previous drafts – remains three months (Article 27 of the implementing regulations). This article provides that additional evidence may even be filed at a later stage, provided that the evidence was generated after the expiry of this time limit. According to Article 27, "the Trademark Office may hold the evidence admissible after producing such evidence to the other party for cross-examination".

This is a welcome provision, but it also raises serious questions, such as why the drafters of the implementing rules provided for an exchange of evidence (and written arguments) only at this specific point (with additional evidence filed after the three-month time limit), rather than providing for a full exchange of arguments and evidence during the entire opposition procedure. This is a crucial concern, given that Article 35.2 of the new law stipulates that: "Where (in an opposition case) the Trademark Office decides to approve the registration, it shall issue a trademark registration certificate and shall make a publication." Since there is only one chance to prevent the use of an undesired trademark, it is all the more important to ensure that the rules of procedure are transparent and fair.

International trademark applications

The new law's stipulated time limits for the rendering of Trademark Office and TRAB decisions do not apply to international trademark applications (Article 50 of the implementing regulations). This is of no major consequence, insofar as the application examination period is concerned (12 or 18 months, instead of the nine months now provided for domestic applications). However, there may be significant divergence from these timeframes if an opposition is filed, since the Trademark Office and the TRAB are not bound by time limits for international applications (as opposed to the 12 or 18 months provided in the new law for domestic applications).

Scope of TRAB review

Article 52 of the implementing regulations gives the TRAB the power, when reviewing a Trademark Office decision, to reject a trademark application, to "re-qualify" the legal grounds given by the Trademark Office. If the Trademark Office based its decision on grounds other than the "absolute grounds of refusal" (Article 10 of the new law), the TRAB may rectify the decision and cite such absolute grounds, even if the Trademark Office did not (this was already specified in the TRAB Rules 2005).

Concerning the review of decisions issued by the TRAB against Trademark Office decisions refusing registration of a trademark in an opposition procedure, Article 53 of the implementing regulations comes as a relief. In the previous drafts, the scope of review was restricted to "the re-examination request [and the] facts and grounds stated in the response of the applicant". Any argument not repeated in the TRAB procedure was to be ignored. However, Article 53 removes this restriction. The

TRAB will invite the opponent to attend the review procedure and will take account of its arguments.

Further, the additional three-month period for filing evidence and arguments (which had been limited to 30 days in the drafts) has also been reinstated.

Draft Article 61 of the implementing regulations allowed the TRAB to issue a decision where the parties decide to settle the case. This was viewed as a welcome change from the established practice of systematically closing a case when a settlement occurs. When a case is closed, the previous decision (of the Trademark Office) remains in force. If the parties agree to change it, the TRAB must do so. Although this draft provision was deleted from the final regulations, it was inserted into the new TRAB rules which became effective on June 1 2014.

Administrative matters

According to Article 43.3 of the new law, in order to oppose third-party use, the licence (rather than the full trademark licence contract, as previously) must be recorded with the Trademark Office. Article 69 of the implementing regulations specifies the information that must be recorded, including information on the licensor and licensee, the relevant licensing period and the goods or services concerned.

Enforcement matters

Article 75 of the implementing regulations provides welcome clarity with regard to the offence of providing infringers with services in relation to a commodity trading platform, which constitutes the act of "intentionally providing conveniences" under Article 57 of the new law.

However, Article 76 of the implementing regulations, which concerns the use of a sign as the name or decoration of the goods, is likely to create difficulties. This article refers to when the signs are "identical or similar" to a registered trademark and are used on the "same or similar goods", and specifies that such activity falls under Article 57.2 of the new law. This introduces a possible discrepancy between the implementing regulations and the new law. Article 57 of the law is divided into two parts. The first paragraph refers to the use of identical signs for identical goods, which constitutes infringement regardless of whether there is a likelihood of confusion. The second paragraph refers to the use of a similar sign for identical goods or the use of an identical or similar sign for similar goods, and introduces the stipulation that such use is likely to cause confusion. Therefore, by referring to this second paragraph when an identical sign is used as the name or decoration of identical goods, Article 76 of the implementing regulations introduces a restriction (the likelihood of confusion) which does not exist in the law (Article 57.1), thus opening up an unexpected line of defence for infringers.

Article 78 of the implementing regulations specifies the following factors used to calculate illegal turnover, referred to in Article 60 of the law:

- sales price;
- tag price;
- actual average price of the infringing products;
- mid-market price of the authentic products;
- operating revenues of the infringer; and
- other "helpful factors".

Article 79 of the implementing regulations clarifies the evidence that sellers of infringing goods can submit to prove that they legally obtained such goods and should thus not be held liable (Article 60 of the new law), including a supply list bearing the seal of the supplier, a purchase contract and invoices.

For further information on this topic please contact [Paul Ranjard](#) at Wan Hui Da Intellectual Property Agency by telephone (+86 10 6892 1000), fax (+86 10 6894 8030) or email (ranjard@wanhuida.com). The Wan Hui Da Intellectual Property Agency website can be accessed at www.wanhuida.com.

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