



The National People's Congress makes public, on its website, some changes in the latest draft of the "Trademark Law Draft Amendment"

Since the first reading of the "Trademark Law Draft Amendment" ("Draft") at the 30th Session of the Standing Committee of the 11th National People's Congress ("NPC") last December, the NPC Law Committee has been compiling review proposals and comments both internally and from the public. The **latest press release** announces that the New Draft has been submitted to the 3rd Session of the Standing Committee of the 12th NPC for the second reading on Wednesday 26th June 2013.

It is essential to note that the presentation and comments below are made on the basis of a **press release** and not on the actual text of the New Draft, which have not been disclosed. Therefore, this is subject to possible misunderstanding of the exact NPC's intentions.

Subject to the above, it can be seen that, compared with the previous Draft, there are some major changes.

1. Single colour excluded from being a registrable element

In Article 8(2) of the previous Draft, the **single colour** was considered as a registrable sign ("*A single colour, used on commodities and/or commodity packages, which has acquired distinctive features in practical use and has become distinguishable, may be applied as a trademark for registration.*"). The New Draft, eliminates this possibility and considers that it is yet unnecessary to include single colours as a registrable element in the "Trademark Law" because: 1) Chinese enterprises have little need to apply for the trademark registration of a single colour; and 2) there is no practice pertaining to such matter in trademark registration and administration procedure.

2. Authorities governing WKTM recognition matters specified

The New Draft specifies which authorities are competent to recognise WKTM status in different procedures upon request of the party concerned:

- The China Trademark Office (CTO) (a) during the trademark registration examination procedure or (b) when local AIC authorities handling an infringement case against a registered trademark refer the case in order to determine if the plaintiff 's trademark is well-known.
- The Trademark Review and Adjudication Board (TRAB) during the trademark dispute procedure.
- The courts designated by the Supreme Court, during a trademark civil or administrative litigation.

3. Conditions to apply for WKTM recognition

The New Draft stipulates that where the owner of a trademark that has been continuously used for a long time and has been known by the relevant public, deems his right has been infringed, he may request the WKTM protection as per the regulations of “*Trademark Law*”.

4. WKTM forbidden from being used as an advertising tool

The New Draft clarifies that the manufacturer or operator, who has obtained the recognition of the well-known status of his mark, is **not** allowed to use the “Well-known Trademark” expression on the commodities, the commodity package, the container, or in advertisement, exhibition or other commercial activities.

5. “Dos” and “don’ts” of trademark agency

The New Draft adds several stipulations in an effort to regulate the practice of the trademark agencies and curb the bad faith trademark registration behavior.

- Trademark agencies are obliged to advise their client where his trademark may fall under one of the non-registrable circumstances, as prescribed by the “*Trademark Law*”.
- Trademark agencies are obliged to turn down cases where they know or should know that the client’s trademark is a bad faith pre-emptive attempt to register another person’s trademark or



where such mark infringes another person’s prior right.

- Trademark agencies are **not** allowed to apply for the registration of trademarks in their own name, for profit.
- Where a trademark agency violates either the laws and regulations or the **principle of good faith**, and the circumstances are serious, the CTO and the TRAB may refuse to accept any cases handled by such trademark agency and shall announce their decision by publication.

6. Time limits during CTO and TRAB procedure specified

The New Draft adds time limits in the trademark registration examination and review procedure as an effort to shorten the whole registration process:

CTO Procedure	Time Limit	TRAB Procedure	Time Limit
Preliminary Examination of Trademark Application	9 months	Review on CTO’s Rejection of Trademark Application	6 months
Decision on Opposition	9 months	Review on CTO’s Decision in favour of an Opposition Application	9 months

Where under certain particular circumstances, the time limit needs to be extended, such time limit may be extended upon the approval of the State Administration for Industry & Commerce.

7. Changes to facilitate the application of the “Trademark Law”

The New Draft upgrades some of the regulation of the Implementing Rules, such as Article 23(3) and Article 25(2) & 25(3) to the “Trademark Law”:

- With respect to a trademark which is registered following a decision of the CTO to reject an opposition, such registration shall have **no** retroactive effect on another party who may have

been using an identical or similar trademark (to the newly registered trademark), from the date of expiry of the opposition period until the date when the decision approving the registration of the opposed mark is made...(In other words, the trademark registrant cannot base an infringement action on acts that have taken place before the date of the decision approving the registration).

- When assigning a registered trademark, the trademark registrant shall simultaneously assign the identical or similar trademarks registered by that registrant for the same or similar goods...
- The Trademark Office shall not approve any application for assignment of a registered trademark that may create confusion or other ill effects...

The New Draft deletes certain stipulations where the matter is already dealt with in other laws such as those articles concerning preliminary injunctions, evidence preservation measures (which are provided in the “Civil Procedure Law”), or those articles concerning “roughly and poorly manufactured goods”, “deceiving consumers”, etc, (which are provided in the “Product Quality Law”).

8. Maximum statutory compensation amount increased to RMB 2 million

The New Draft raises the maximum statutory compensation from RMB 1 million (previous Draft Amendment) to RMB 2 millions, and stipulates that *“where it is difficult to determine the actual damages that the right holder has suffered from the infringement, the profit that the infringer has earned through the infringement, or (on the basis of a) license that the infringed registered trademark (might have earned), the People’s Court shall make a decision on the amount of compensation above RMB 20,000 but below RMB 2 million, taking into account the seriousness of the infringement”*.

Comments

All the revisions proposed demonstrate China's endeavor to solve the outstanding matters including cumbersome registration procedure, bad faith registration as well as rampant trademark infringement, etc.

Nevertheless, there are still causes for concern:

1. Regarding the single colour trademark, the essential feature is that the colour has acquired distinctiveness before it can be determined that such colour is eligible for trademark protection. Excluding the registrability of such a trademark just because, for the time being, Chinese companies have no use for it and the CTO has no experience in such matters, seems unreasonable and short sighted. The whole purpose for revising the law is to prepare for the future and be ready to grant protection to all applicants who justify that they need such protection. The experience will develop along with the practice.
2. Regarding the stipulation that "where the owner of a trademark that has been continuously **used** for a long time and has been known by the relevant public, deems his right has been infringed, he may request the WKTM protection as per the regulations of *'Trademark Law'*", such prescription raises questions and possible concern. If this means that *only* a trademark that has been used for a long time in China is eligible to apply for the WKTM status, this is of great concern because it would exclude trademarks that have not been used but are still well-known, from being recognised as such and being protected. If so, such prescription could even be in contradiction with Article 16.2 of Agreement On Trade-related Aspects of Intellectual Property Right (TRIPs).
3. It is applauded that the New Draft attempts to build the work ethic for the trademark agency by banning the agency from accepting and filing cases of pre-emptive registrant or infringers. However, it goes too far in making it almost impossible for the alleged offender to find a representative in such event.
4. Rather than adding to the *"Trademark Law"* what a trademark agent is not allowed to do, it seems recommended to build a qualification access system of trademark agents to regulate the entire trademark agency practice. Trademark agents should have a professional qualification certified by the

authority (say CTO) before practising trademark (like the patent agent) instead of any random person acting as an agent of another person. A good system would benefit both the trademark agencies and the healthy development of the trademark agency industry.

5. Regarding the “retroactive effect upon other party's use of a mark identical or similar to the trademark that had been applied for registration but was not yet registered on the same or similar goods”, it would be inappropriate to totally deny the prior right of the applicant during this period of vacuum. Firstly, it would encourage the practice of “bad faith opposition”: during the entire procedure, the third party infringer is immune from any consequences. Secondly, given the position adopted by the Supreme People’s Court in favour of the coexistence between similar trademarks, when the “infringer” has achieved a sufficient presence in the market, it is unadvisable to deprive the trademark registrant from any possibility of action in such circumstances.

It could therefore be suggested to the NPC to take a cue from the legislative practice overseas.

- Article 9.3 of the “Council Regulation (EC) No. 207/2009 of 26 February 2009 on the Community Trade Mark” prescribes that “the rights conferred by a Community trade mark shall prevail against third parties from the date of publication of registration of the trade mark. Reasonable compensation may, however, be claimed in respect of acts occurring after the date of publication of a Community trade mark application, which acts would, after publication of the registration of the trade mark, be prohibited by virtue of that publication. The court seized of the case may not decide upon the merits of the case until the registration has been published”.
- Article L716-2(2) of the “Intellectual Property Code of France” (Legislative Part) prescribes that “...acts subsequent to the notification to the alleged infringer of a copy of the application for registration may be ascertained and prosecuted”.
- Article 13-2 (1) of the “Trademark Act of Japan” prescribes alike.
- As a matter of fact, Article 13 of China’s “Patent Law” also has a similar prescription that “after the application for an invention patent is publicized, the applicant may require the organization or individual that

exploits the said patent to pay appropriate fees”.

These systems provide for a “provisional protection mechanism” which helps better protect trademarks and stop bad faith opposition behavior.

It is a huge progress that the New Draft not only raises the maximum amount but also stipulates the minimum amount of statutory compensation for infringement. The legislator may have taken a cue from the “*Patent Law*” when adding the minimum statutory damage.