

**The Third Amendment to the PRC Trademark Law was passed by the Standing Committee of the National People's Congress on 30 August 2013, and would come into effect on 1 May 2014. The provisions are amended to cope with concerns regarding the deficiencies of trademark protection under the current legal framework. The following information provides an overall review of the key updates to the PRC Trademark Law.**

### **1. Addition of Trademark Registration Contents**

- Sound mark is now covered under the updated legal regime and may be registered as a non-traditional trademark. It is believed that this would be beneficial for the overall market and would encourage new businesses and investments.

### **2. A revamp of Trademark Registration Process**

- Multi-class applications are now accepted under the updated legal regime. Under the current regime, an applicant can only file one trademark in one class; and additional trademark applications can only be filed in other classes. Under the updated regime, an applicant can now file a trademark in an application for multiple classes, simplifying the registration process.
- Electronic filings are now officially accepted and explicitly recognised in the provisions of the Trademark Law.
- Use of office action will be increased by the China Trade Office (CTMO). This will facilitate further interaction and communication with the applicants, increasing the possibility to present submissions by the applicants.
- A statutory time limit for reviewing trademark applications is established under the updated legal regime. A highlight of the key time limits are as follows:
  - Up to 9 months for review of a trademark application, with no possibility of extension upon request;
  - Up to 9 months for review of appeal against a rejected trademark application, with the possibility of 3 months of extension upon request;
  - Up to 12 months for review of a trademark opposition, with the possibility of 6 months of extension upon request;
  - Up to 12 months for review of appeal against a decision sustaining a trademark opposition, with the possibility of 6 months of extension upon request;
  - Up to 9 months for review of a trademark invalidation based on relative grounds, with the possibility of 3 months of extension upon request;

- Up to 12 months for review of a trademark invalidation based on absolute grounds, with the possibility of 3 months of extension upon request;
- Up to 9 months for review of appeal against a decision sustaining a trademark invalidation based on absolute grounds, with the possibility of 3 months of extension upon request;
- Up to 9 months for review of a trademark cancellation based on non-use of trademark, with the possibility of 3 months of extension upon request; and
- Up to 9 months for review of appeal against a decision sustaining a trademark cancellation, with the possibility of 3 months of extension upon request.

### **3. Opposition Procedures Made Efficient**

- The CTMO's Opposition Procedure is changed significantly. Under the current legal regime, any party can submit an opposition on either absolute or relative grounds. Under the updated legal regime, while an opposition based on absolute grounds can still be filed by anyone, only a prior right owner or an interested party is allowed to oppose on relative grounds. The current law is amended with a view to prevent vexatious litigation as well as the abuse of the legal mechanism.
- Once the CTMO accepts the trademark application and rejects the opposition, the trademark would immediately be registered. The opposing side would not be allowed to appeal but can go down along the new "invalidation" route. In other words, only the applicant would be able to appeal in the event that the CTMO ruled in favour of the opposing party, but not the other way round.

### **4. Prevention of Trademark Squatting**

- The principle of "good faith" is provided explicitly in the updated legal regime. Trademarks must be used in an honest and trustworthy way. Such a safeguard provision is added in the updated legal regime with a "catch-all" purpose in mind – to cover any bad faith registrations which are not reached out to by the existing provisions.
- Trademark squatting is further prevented by provisions in the updated Trademark Law stating that it would not be possible for one who has contracts, business dealings or other relationships with the other party and is aware of the other party's trademark to register a same/similar trademark on the same/similar goods or services.

- Right of prior use is recognised under the updated legal regime. The existing user of the non-registered trademark is entitled to continuing use even though a squatter has registered formally with that existing trademark, provided that the existing user has been using that trademark before the registration by the squatter. However, the squatter is entitled to make request to alter the existing user's trademark in order to indicate the differences between the two trademarks.
- The use of the term "Well-known Trademark" (馳名商標) on products, packaging or containers, or in the context of advertising, exhibiting or any other commercial activities is now forbidden. This is in response to the proliferation of abuse of this term which has led to many cases of misrepresentation, changing the nature of the term into an advertising nature instead of an explanatory nature.

## 5. Best Practices for the Trademark Agency Profession

- Provisions specifically targeted at Trademark Agencies are added. Article 19 of the new Trademark Law explicitly provides that:
  - "Trademark Agencies should adhere to the principles of honesty and integrity as well as abide to all laws and regulations, and follow accordingly to the instructions given by its clients regarding registration of trademarks; at the same time they are also responsible for keeping the confidentiality of the commercial matters of the clients;
  - In the event that the trademark concerned is non-registrable under the current law, the Trademark Agency is obliged to notify the applicant clearly;
  - In the event that the Trademark Agency knows or should know that either the application is done in bad faith, would infringe a prior right of a third-party, or would pre-empt an existing user of the influential trademark, it shall not carry on with the appointment by the applicant; and
  - Trademark Agencies should not apply for registration of trademarks other than that which was appointed by the applicant."

## 6. Increased Fines and Damages Resulting in Better Deterrent Effect

- Fines assessment
  - Fines for trademark infringement have been explicitly provided. The numerical values are as follows:
- An illegal business turnover amount of over RMB50,000 may result in a fine of up to five times of the turnover amount; and

- An illegal business turnover amount of less than RMB50,000 may result in a fine of up to RMB250,000.
  - Committal of trademark infringement twice within a five-year period or any other grave breaches may and would probably result in a more serious penalty/ heavier fine.
- Damages assessment
  - In the event of a successful claim for copyright infringement, compensatory damages payable to the applicant will be determinable upon the actual amount lost. Where the actual amount lost is impossible to determine, the damages payable will be determinable upon the actual amount gained by the trademark infringer. If that is still impossible to determine, the damages will be determined by a reasonable estimation of multiplication of license fee of the use of the trademark.
  - Punitive damages may also be awarded. The actual amount awarded may range from one to three times of the compensatory value obtained above.
  - The maximum amount of damages awarded is increased from RMB500,000 to RMB3 million.
  - However, in defending the trademark owner's claim for damages by the infringer, the court may request trademark owners to prove the actual use of that trademark throughout the past three years. If the owner is not able to show proof of use and that no lost is incurred as a result of the infringement, the owner will not be entitled to any damages.

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