On June 26, 2013, the National People’s Congress undertook the second reading of a draft of the Trademark Law. The draft replaces the previous one published for comments in December 2012 (see WIPR Annual 2013, pp.18–19) and promulgation is expected soon with very limited amendments. Unlike the previous one, this draft demonstrates more willingness to change.

Well-known trademarks

Article 14 states: “Producers and business operators shall not affix the words ‘well-known trademark’ to commodities, commodity packages or containers or use the words in advertisements, exhibitions and other commercial activities.” This provision is surprising and indeed has become notorious. The new provision is clearly intended to curb the malpractice of companies that use the achieved legal status as a sort of promotion tool: “Buy my pen, my trademark is well-known.”

Consumers can be misled. Local governments compete with each other claiming to have the largest number of well-known trademarks granted and offer financial support to companies obtaining such recognition. This new provision brings well-known status back to basics, as a tool to obtain cross-class protection in trademark disputes and the basic requirement for the activation of Article 6bis of the Paris Convention. Moreover, it is likely that the threshold for obtaining well-known status will become lower. Indeed, it was initially set at a very high threshold in order to limit the distortion mentioned above.

Bad faith registrations

The draft maintains a few amendments introduced by the previous one.

According to Article 9: “The application for registration, and use, of trademark shall be conducted in accordance with the principle of good faith.” The principle was not previously contained in any provision of the Trademark Law.

Under Article 15 trademarks filed by “agents and representatives”, as well as by “business partners” will not be registered if it is proved that they definitely knew of the existence of the trademark. This widens the scope, even if the definition “definitely knew” seems to fix a high threshold.

Article 58 introduces the right of pre-use under which a prior user, who has not filed for registration of the trademark, is entitled to continue use within the original use range, but may be required to add appropriate distinguishing marks.

Mandatory timeframes

For the first time the new draft fixes clear and mandatory timeframes for the China Trademark Office (CTMO) and the Trademark Review and Adjudication Board (TRAB): nine months for trademark examination and opposition (both extendable for a further nine months), six months for appeal on rejection and cancellations (extendable for a further six and nine months, respectively).
Statutory damages
Article 64 of the new draft raises the maximum threshold to 2 million RMB ($324,000). The current limit is 500,000 RMB ($81,000) and the previous draft raised it to 1 million RMB ($162,000). The new modification is definitely welcome.

Punitive damages
Article 64 of the new draft confirms the introduction by the previous draft of punitive damages, calculated as one to three times the damage compensation, in case of malicious infringement.

Administrative fines
Article 61 of the new draft confirms the increase in fines fixed by the previous draft.

Non-retroactiveness
Article 36 of the draft provides for non-retroactiveness of annulment decisions. The current implementing regulations to trademark law provide similarly (Article 29).

Assignment
Article 42 of the draft provides that in case of transfer of a trademark the transferor shall assign all the similar trademarks. The practice of the CTMO was already applying such a principle, which is now introduced by legal provision.

Oppositions
Several changes occur in relation to oppositions in Article 35.

Qualification of opponent: Only a “person holding prior rights or of interest” may file an opposition.

Opposition appeal: The asymmetric elimination of the opponent’s right to apply for review is confirmed. If CTMO rejects the opposition the trademark will be granted and enforceable. The opponent, if dissatisfied with the decision from CTMO, can file a cancellation with TRAB. The opposed party dissatisfied with the CTMO’s decision is entitled to file a review against the opposition decision.

Legal grounds: The presence of a list of legal grounds is confirmed, namely: “Paragraph 2 and Paragraph 3 of Article 13, Article 15, Paragraph 1 of Article 16, Article 30, Article 31, or Article 32 … Article 10, Article 11, or Article 12.” It is not clarified whether the list is exhaustive.

Deadlines for appeal
Article 44 of the draft states that an appeal against a rejection shall be filed within 15 days from receipt of the notice by which CTMO communicates the refusal. The previous draft extended the deadline to 30 days, but this extension is cancelled in the new draft.

Non-traditional trademarks
Article 8 of the new draft confirms the possibility to register sound trademarks. It cancels the provision in the previous draft which allowed the registration of single colour trademarks. This kind of monopoly will be discouraged. There are no provisions in the draft relating to smell, holograms, and motion trademarks.

Electronic filing
Article 22 of the new draft confirms the possibility of electronic filing for trademarks.

Multiclass application
Article 22 of the new draft confirms the possibility to file an application for trademark registration including multiple classes.

Trademark renewal
Article 40 of the new draft extends the possibility to renew a trademark until one year after the expiration of the validity period. The previous draft did not intervene on this issue. Under the current law the deadline for renewal is six months after the expiration.

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