

NEW DRAFT AMENDMENTS TO THE PRC TRADEMARK LAW

The new trademark law has been long awaited by many. Although we still do not have an exact date for the promulgation, we have just received the latest request for public consultation of a new draft of the law.

As compared with the last draft circulated for comments in 2010, the new draft has incorporated the following significant features in relation to the prosecution of trademarks and protection of unregistered marks:-

TRADEMARK PROSECUTION

1. Expansion of the scope of registrable trademarks

The scope of registrable trademarks is broadened to include non-visual marks such as sound marks. Colour marks will no longer be limited to colour-combination marks.

However, “smell and motion marks” which were included in the 2010 draft have been deleted.

2. Codifying of common practice for absolute grounds of refusal

If a mark is likely to cause confusion as to quality, nature or place of origin of goods/services, this will be an absolute ground of refusal for registration. This merely codifies common practice, as the CTMO currently cites the catch-all provision for these types of objections.

3. Tightening of relative grounds of refusal

There are currently 3 relative grounds of refusal. A registration of trademark will be refused if the mark:

- i) comprises of the generic name, design or model in respect of which the mark is to be used; or
- ii) describes the quality, main raw materials, function, use, weight, quantity or other features of the goods in respect of which the mark is to be used; or
- iii) lacks distinctiveness.

It is now proposed that only grounds (ii) and (iii) above can be overcome by proving acquired distinctiveness through use.

The latest draft also deletes the proposed addition of “place of origin” from ground (ii) above, which was originally proposed to be added in by the 2010 draft.

4. Geographical names

The general prohibition of geographical names in trademarks has not changed. However, the new draft states that such geographical names can be registrable if they are registered as a collective mark or certification mark.

5. Multi-class application

Multi-class applications are not available in China. However, it is proposed that the SAIC is to formulate rules for handling multi-class applications for identical trademarks. This shows a willingness by the SAIC to move in this direction.

6. Changes to trademark details prior to preliminary approval

The new draft specifically indicates that applications for

- i) change of name/address/agent of applicant;
- ii) assignment; and
- iii) deletion of designated goods

may be filed before the preliminary approval of the application. Further, change of name/address applications cannot be withdrawn upon filing.

7. Longer period for filing reviews with TRAB

As it was proposed in 2010, the latest draft maintains that the period for filing reviews against Notices of Refusals are to be extended to 30 days from receipt of notice. This will be a welcome change for many foreign applicants when compared to the 15 day period currently granted.

8. A new “Examiner’s Opinion” procedure

A new procedure called the “Examiner’s Opinion” is prescribed to provide applicants with a chance to supplement the application with explanations or to make amendment to the contents of a trademark application upon the issuance of the “Examiner’s Opinion”. This is similar to Hong Kong whereby trademark applicants are informed of the reason for a potential rejection, and given an opportunity to salvage the trademark application before the Trademark Office reaches its final decision.

ENFORCEMENT AGAINST INFRINGEMENT

The new draft expressly prescribes that the two new situations below will be considered as infringement against registered trademarks:

- using an identical/similar mark as a product name or product decoration and causes confusion among relevant consumers.
- knowingly assisting trademark infringing activities so that infringing activities will be conducted more efficiently e.g. providing storage, transport or other services.

The 2010 draft included additional provisions such as using others’ mark as a trade name prominently and causing confusion, using others’ well-known trademarks in dissimilar goods and services, and registering others’ marks as domain names. However, the new draft has deleted these provisions. We cannot however infer that these instances are not protected by the new draft, as there still exists the catch-all provision.



SIGNIFICANCE OF WELL-KNOWN STATUS

At present, an unregistered mark is only protected if it can successfully claim well-known status in China. In the same way, registered trademarks are only granted cross-class protection if it can be shown that they are “well-known”.

Given the difficulty of obtaining well-known status in China, it is helpful that the new draft proposes to lessen the need for well-known status such that the below circumstances would also be grounds for unregistrability:-

1. Where an unregistered mark has been used in China prior and on similar or identical goods and the applicant should have known of such an unregistered mark due to:-

- (a) contractual relationship with the unregistered mark owner; or
- (b) business dealings; or
- (c) geographical or other relationships.

2. Where a mark is a registered mark in China with the following characteristics:-

- (a) of strong distinctiveness;
- (b) enjoys a certain level of influence; and
- (c) is likely to cause confusion,

no applicant is allowed to copy the mark on dissimilar goods or services.

These grounds will be available to support opposition and cancellation actions based on improper registration.

The new draft will potentially protect owners of:

- unregistered trademarks against preemptive “bad faith” applications of identical or similar marks; or
- unregistered trademarks against applications made by their business partners; or
- registered trademarks with some fame which have not yet attained the “well-known” status in China allowing them to qualify for cross-class protection.

OPPOSITIONS

1. Who can oppose?

Oppositions can now only be filed by interested parties or prior rights owners. This is a restriction from the current law, whereby anybody can file an opposition.

2. Who to adjudicate oppositions?

In the 2010 draft, TRAB will be responsible for adjudicating oppositions. However, in this new draft, it is proposed that the CTMO retains its authority for adjudicating oppositions.

3. No appeal available for unsuccessful oppositions

A significant change to the opposition procedure has been introduced such that appeals by opponents against unfavorable CTMO decisions will no longer be available. This is effect means that the opponent will only have one chance to challenge the opposed mark prior to registration. Opponents will have to rely on the cancellation action after registration should they still wish to challenge the opposed mark. Applicants, on the other hand, will no longer have their marks unduly held up in the opposition review procedures.

On the other hand, if the opponent wins the case, the applicant will still have the same rights of appeal as they do now.

DAMAGES

The current law allows the claimant to choose whether to base their claim on the loss suffered by the claimant or the profits obtained by the infringer. The new draft establishes that the compensatory principle should apply first, and only when it is difficult to ascertain loss, should the damages be based on the profits of the infringer. The new draft maintains the 2010 draft's proposal whereby the claimant is required to provide evidence of the use of the mark in the three years preceding.

Similar to the 2010 draft, the new draft maintains that the maximum statutory damages is to be increased from the current RMB500,000 to RMB1 million.

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