

UPDATE ON THE AMENDMENT OF PRC TRADEMARK LAW

The National People Congress of the People's Republic of China issued further revisions of the Trademark Law, which are expected to come into effect around June 2013. These revisions confirm certain amendments proposed in previous drafts, and also set out significant changes involving bad faith registration, damages to be awarded in trademark infringement cases, and measures to further protect the rights of trademark owners and maintain fair competition.

BAD FAITH REGISTRATION

The following amendments are set out to prevent the bad faith registrations of trademarks:

1. There is the requirement of honesty and credibility in relation to trademark applications for registration. These are as set out in the Civil Law.
2. When an applicant files a trademark application for a mark which is identical or similar to another mark for the same or similar goods/services which has been used in China, and the applicant has a contractual relationship, business transaction or other relationship with the trademark owner, and should have known of the existence of the prior mark, the application shall be rejected, if the trademark owner of the prior mark files an opposition.

The current law only protects against bad faith registration by the agent or representative of a trademark owner. Importantly, the amendment codifies a previous Supreme Court interpretation on the scope of the principal-agent relationship, so that any attempt to register a mark by a party who (a) has contractual relationship, business transaction or other relationship with the trademark owner, and (b) should have known the mark of the trademark owner to register an identical or similar mark, will be refused.

3. The previous amendment gave remedies to owners of well-known trademarks and registered marks whose marks are used in the names of companies resulting in confusion to the public. The new amendment establishes that the Anti-Unfair Competition Law is applicable in such circumstances.

DAMAGES

• Statutory damages

Under Article 62, the amount of damages can be calculated based on the actual loss suffered by the trademark owner or the profit earned by the infringer, or by reference to the royalty fee of the registered mark. Since the profit gained by the infringer is usually higher than the actual loss suffered by the trademark owner, the trend of increasing damages in trademark infringement cases is expected to continue.

The new amendment increases the damages from one time to three times of the claimed amount in serious trademark rights infringement cases. Similar to previous drafts, the new amendment maintains that the maximum statutory damages is to be increased from the current RMB500,000 to RMB1 million.

The new amendment also empowers the court to examine the books of the infringer to ascertain the appropriate damages. This is a welcome direction since it is usually difficult for a trademark owner to prove profits earned by the infringer.

• Administrative penalties

Article 59 imposes a heavy penalty on the trademark infringement activities. The current Trademark Law regulates that the amount of a fine imposed shall be no more than three times of the volume of the illegal business, or no more than RMB100,000. However, the current amendments specifically increases the fine to five times or no more than RMB250,000.

If the infringer commits trademark infringement for more than once within a 5 year period or in any situation which is considered "serious", the AIC should exercise its discretion to impose a heavy penalty.

TIGHTER REGULATION OF TRADEMARK AGENCIES

The current amendment tightens the regulation and supervision of trademark agencies. The current amendment provides that trademark agencies have to be honest and credible, and abide by law and regulations. The Administration of Industry and Commerce (“AIC”) is empowered to supervise and regulate the activities of trademark agencies.

OTHER AMENDMENTS

The current draft also confirms many important amendments in previous drafts, including amendments to the opposition procedure which should make the application of trademarks more efficient.

- **Opposition**

Who can oppose?

Under the current trademark law, anybody can file an opposition. The current amendments confirm the position in previous drafts that only the owner of a prior right or an interested party is allowed to oppose a mark.

Opposition procedure

This confirms the position set out in previous drafts.

If an opposition fails, the opposed mark will be approved for registration. The opponent can file a cancellation with the Trademark Review and Adjudication Board (“TRAB”). On the other hand, if an opposition is tenable, the opposed mark will not be approved for registration. The opposed party (i.e. applicant of the trademark) can also file an opposition review with the TRAB, and if it is still dissatisfied with the TRAB's decision, it may further appeal to the courts.

The purpose of the above amendment is to avoid oppositions that are filed in bad faith, to shorten the opposition period, and to protect legal rights of the trademark owner.

- **Deadline to file an appeal**

The latest amendment confirms the deadline to file an appeal in the decisions made by the authorities as extended from 15 days to 30 days. This is beneficial to overseas trademark owners who may have more time to respond to official actions.

- **Sound and single colour marks**

This draft confirms that sound mark and single color mark are registrable. The latest amendment adds a restriction on single color mark, i.e. it will only be approved for registration if it has obtained distinctiveness through use.

- **Injunction**

This confirms the position in earlier amendments. For legitimate trademark owner who wants to apply for an injunction against an infringer, he must (a) provide guarantees and (b) file a civil case within 15 days after the grant of the injunction against the infringer. The courts are required to give its decision on whether the application of injunction is allowed within 48 hours. The time limit is only extendable under special circumstances.

- **E-filing and multi-class filings**

The latest amendment confirms the availability of online trademark filing and multi-class filings. While the current practice allows online trademark filing, its current use is limited as only standard items are allowed in the specification. It has to be seen whether the implementing rules and the actual practice would lead further convenience and cost-saving for trademark applicants.

- **Secondary liability**

As with previous drafts, the new amendment codifies the Regulation for the Implementation of the Trademark Law imposing secondary liability on any party assists trademark infringement activities. However, the previous examples of “assistance” set out in previous drafts, e.g. providing storage, transportation, sending and hiding facilities, are not in the current draft. There is no concrete definition of the “intention” and it is uncertain whether this will cover constructive knowledge. If this does not, the complainant will have to provide strong evidence proving actual knowledge of the secondary party's intention to assist infringement.

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