

Draft Amendment to the Chinese Trademark Law



CHINA

On 13 January 2023, the Chinese National Intellectual Property Administration (“CNIPA”) published a draft amendment to the Trademark Law of the People’s Republic of China (“the Draft”) and called for public opinion and comments. The current Trademark Law (“the Law”), published for the first time in August 1982, contains 71 articles divided into 8 chapters. It has already been amended four times: in 1993, 2001, 2013 and 2019. The new Draft, comprising 101 articles divided into 10 chapters, 23 of which are entirely new, 45 substantially amended and 27 virtually unchanged, introduces key changes to both the registration and protection of trademarks.

You will find below an introduction to the main key points of the Draft and our recommendations to help you prepare for the upcoming changes.

I. BROADENING THE NOTION OF TRADEMARKS

After adding three-dimensional trademarks in 2001 and sound trademarks in 2013, the Draft¹ now extends trademark protection to any sign that can be used to identify and distinguish the origin of a product or a service, thus opening the door to the protection of olfactory trademarks, position trademarks (characterised by the specific way in which they are placed or affixed on the product) and even multimedia trademarks, etc.

Our recommendations: check the distinctive signs used to see if, under these new criteria, any of them can be protected as trademarks.

II. OBLIGATION TO USE REGISTERED TRADEMARKS AND PROHIBITION ON FILING MULTIPLE IDENTICAL TRADEMARKS

There have been multiple instances of the following abusive filing practices in recent years:

- The filing of large quantities of trademarks with no intention to use, but with the intention of reselling them to the actual owners;
- Repeat filing by the same holder every three years of the same trademark to avoid becoming the subject of a three-year non-use trademark invalidation procedure;
- Regular filing by the same holder of the same trademark to block opposition or cancellation applications against it.

To put an end to these abusive practices, the Draft² states that applications for trademark registration must concern trademarks which are either already in use or for which applicants undertake at the time of filing to make effective use. In addition, every five years, holders of a registered trademark shall be required to submit proof of use or explanation to justify non-use to the CNIPA. Failing which, the CNIPA can declare the cancellation of the trademark³.

Furthermore, the Draft⁴ states that holders of a trademark that has already been registered or is under review are not authorised to re-file that same trademark for identical products or services. This prohibition to re-file also applies to trademarks that have been revoked, cancelled or invalidated for a period of one year from the date of revocation, cancellation or invalidation.

1. Article 4

2. Article 5

3. Article 61

4. Articles 9 and 21

Our recommendations: review the current trademark portfolio, identify the important trademarks; check that they are in use and make sure you keep proof of actual use; think carefully about the products/services to be selected in any new filing.

III. SHORTER DEADLINES / SIMPLIFIED PROCEDURES

Pursuant to Article 26 of the Draft, the time limit for filing an opposition following the preliminary publication of a trademark will be shortened from three months under the current version of the Law to two months.

In addition, under the Draft, if at the end of the opposition procedure, the CNIPA rules in favour of the opponent and denies the registration of the trademark, the person applying for the registration can no longer appeal the decision with the Trademark Review and Adjudication Board (the TRAB)¹. Any such applicant who wishes to appeal the decision must directly refer the matter to the people's court.

This amendment considerably shortens the processing time for an opposition procedure, since the appeal procedure before the TRAB used to take around 12 months. At the same time, given the relatively high cost of a court procedure, holders of registration applications denied as a result of an opposition may be reluctant to go to court.

Our recommendations: be more reactive in making a decision to launch an opposition procedure; take into account the budget required in the event of an appeal procedure in court by assessing the chances of success of the appeal.

IV. POSSIBILITY FOR BRAND OWNERS TO REQUEST THE ASSIGNMENT OF A TRADEMARK REGISTERED IN BAD FAITH BACK TO THEM

Currently, as part of a procedure to invalidate or cancel a trademark registered in bad faith (i.e. (i) case of registration in the name of the agent or representative of the owner of the mark without the latter's authorisation, ii) case of a well-known mark, iii) case of prior use by the actual owner of the mark), the owner of the prior rights could only request the invalidation or cancellation of the disputed mark. The Draft², no doubt drawing inspiration from Article 6 *septies* of the *Paris Convention for the Protection of Industrial Property*, gives the possibility, in certain cases, to holders of prior rights to request the assignment of such disputed trademark in their favour. It must be stressed that the assignment in favour of the holder cannot be done unless there is no likelihood of the disputed mark being revoked or cancelled for another reason, and if its assignment cannot create confusion or any other adverse effect.

Our recommendations: for companies facing such a situation, check whether the conditions of assignment are met, and in all cases, proceed to a new preventive filing of a similar mark for similar products and services for cases where it may not be possible to obtain assignment of the disputed mark.

V. BAD FAITH

For the first time, Article 22 of the Draft clearly defines the notion of trade mark applications made in bad faith, which mainly includes the following circumstances:

1. Applying for the registration of a large number of trade marks with no intent to use,
2. Applying for trade marks by deception or through other improper means,

1. Article 39

2. Articles 44 and 45

3. Applying for trade marks which are detrimental to the national interests, public interests or having other significant adverse effects,
4. Applications that (i) infringe on a well-known trademark, (ii) are filed by an agent/representative without the authorisation of the owner of the trade mark, (iii) infringe on the prior rights or interests of others (such as a company name or abbreviation, etc.), or (iv) uses unfair means to benefit from a trademark that is already in use by a third party and has some influence.

VI. FINES AND PENALTIES

Lastly, the Draft also lists, often for the first time, the fines, penalties and other sanctions that can be applied in the event of breach of its provisions:

Article nos.	Type of breach/infringement	Consequences
32	Falsification, dissimulation of significant facts, submission of false documents to the CNIPA	Warning; Maximum fine of RMB 100,000 Yuan; Compensation for losses caused to third parties (if applicable).
60	60 Failure by the licensor to ensure the quality of the products/services marketed by its licensee under a trademark license agreement	Rectification within a given time limit; Fine of up to 20% of the illegal income if the unlawful income obtained exceeds RMB 50,000 Yuan, or Fine of up to RMB 10,000 Yuan, if there is no illegal income, or if the illegal income is less than RMB 50,000 Yuan.
67	Filing trademarks in bad faith	Warning, or fine below RMB 50,000 Yuan, or between RMB 50,000 Yuan and 250,000 Yuan for serious cases; Confiscation of the illegal income
83	Breach of the provisions of Article 22 (4) (see V. above) relating to filings in bad faith causing damage to a third party	Possibility of going to the people's court to obtain compensation for the loss

As indicated by the name, the Draft is not yet final and may be further amended before it is definitively adopted by the National People's Congress.



For any additional information
please contact:

Sylvie SAVOIE
Beijing Office Managing Partner
Saveoie@dsavocats.com

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