



## Primary Amendments in the *Draft Revisions to the Trademark Law of the People Republic of China*

On January 13th, 2023, the CNIPA released the *Draft Revisions to the Trademark Law of the People Republic of China* (hereinafter referred to as “*the Draft*”) to solicit for public opinions, aiming to improve the revisions. This is the fifth revision to the *Trademark Law* and *the Draft* expands the current *Trademark Law* from 73 articles into 101. *The Draft* targets at the current prominent issues, such as “registering trademarks only without use” phenomenon; “hoarding trademarks” and “idle trademarks” hinder the market players with normal business needs from registering these resources; trademark bad faith filings, free-ride, hitchhiking and clout-chasing phenomenon still exist; idling examination procedures and circular registrations lead to high rights protection costs; the abuse of rights, e.g. malicious litigation, occur from time to time. This article introduces the major amendments in *the Draft* with some of our views on how these changes may affect the trademark practice in China if it was approved.

### 1. Regulation against trademark bad faith filings

Article 22 specifies the circumstances of “malicious application”, including 1) applying for trademark registration in large numbers without the purpose of use; 2) applying for trademark registration by deception or any other unfair means; 3) applying for the registration of a trademark that is detrimental to the interests of the State or the public or has other significant unhealthy effects; 4)

violating the provision on the protection of well-known trademarks, the provision on trademark squatting by agents, representatives and interested parties, and the provision on the protection of prior rights and interests, intentionally damaging the legitimate rights and interests of others, or seeking illegitimate interests, etc. *The Draft* lays down administrative punishment for malicious trademark applications, including warning, fine (up to 250,000 Chinese Yuan) and confiscation of illegal income. *The Draft* also introduces civil liabilities over malicious application. A legitimate right owner may sue the bad faith applicants and claim compensation for the losses.

### 2. Counterclaim for Malicious Litigation

Article 84 introduces the counterclaim system for malicious litigation, which clarifies that if a malicious plaintiff causes losses to others, compensation should be made, and the court can impose penalties according to law. The counterclaim system standardizes the exercise of trademark rights and prevents the abuse of rights.

### 3. Compulsory transfer of bad faith registrations

Article 45 bestows the petitioner the right of claim on compulsory transfer of trademarks registered in bad faith in the invalidation procedures based on relative grounds (protection of well-known trademarks, trademark squatting by agents, representatives and interested parties, preemptive

registrations through improper means of trademarks with certain influence which were already in use by others). The compulsory transfer system optimizes and shortens the procedure of trademark dispute, which makes it feasible to ascertain a trademark right within one application instead of filing two or more different applications as stipulated by the current *Trademark Law*.

#### **4. Emphasis on the obligation of trademark use**

Article 5 adds requirements for trademark use or commitment at the application stage. Article 61 stipulates that a trademark registrant should submit explanation on use of the trademark every 5-6 years after its registration. Failure in submitting the said explanation may lead to abandonment of the registered trademark.

#### **5. Prohibition of repeated trademark application/registration**

In recent years, the phenomenon of repeated applications for trademark registration is increasing. Some trademark registrants even adopt the strategy of "relay applications" (repeated applications for registration of the same trademark every three years) in order to prevent the cancellation of the trademarks due to non-use for three consecutive years. Some trademark squatters also frequently apply for repeated registrations in order to prevent the trademarks from being opposed or declared invalid. Repeated applications/registrations not only become a way to avoid legal responsibility and increase the difficulty for safeguarding legal rights, but also consume the limited trademark examination resources. Articles 14 and 21 of *the Draft* stipulate the principle of prohibiting duplicate application/registration, that is, an applicant is not allowed to apply for an identical mark on the same designations with its existing application, registration or its prior mark that has been deregistered, cancelled or invalidated within one year. There are exceptions to such prohibition, such as slight improvement has been made to the prior trademark and the applicant can explain the differences; failure to renew due to reasons not attributable to the applicant; failure to submit explanation of use in time, but the prior trademark has been actually used and etc.

The mechanism of prohibition of repeated application/registration is beneficial for the genuine right owners to fight against trademark squatting to some extent, it would be more reasonable if the fore-mentioned system for Compulsory Transfer of trademark could also be applied in the procedure of trademark opposition and review application against the decision on trademark opposition.

#### **6. Infeasible of change of circumstances principle**

The shocking amendment is the infeasible of change of circumstances principle for administrative litigation brought by the Article 42 of *the Draft*, which provides that "if the determination of the prior existing rights involved must be based on the outcome of another case being tried by a people's court or being handled by an administrative organization, the examination and hearing may be suspended by the CNIPA" and it further stipulates that "When the people's court hears the decision of refusal review or disapproval of registration, or the ruling of invalidation made by the CNIPA involving prior trademark registration or application, it shall be based on the facts at the time when the appealed decision or ruling is made. Where the status of the relevant trademark has changed after the appealed decision or ruling has been made, it shall not affect the trial by the people's court, except that the principle of fairness is obviously violated". That is to say, in principle, the people's court shall no longer apply the principle of change of circumstances to the administrative cases of trademark right granting and confirmation, unless "the principle of fairness is clearly violated".

Personally speaking, I do not think the amendment is reasonable unless the CNIPA could suspend automatically the procedure pending the result of the prior conflicting marks. We shall submit our concerns and challenge the rationality of this Article to the relevant authorities during the period of soliciting for public opinions.

#### **7. Strengthening of well-known trademark protection**

Article 18 further reinforces the protection of well-known trademarks. Paragraph 2 extends the

scope of the original cross-class protection clause from "registered trademarks in China" to "unregistered trademarks". Paragraph 3 adds anti-dilution protection to the well-known trademarks. However, anti-dilution protection puts forward higher requirements for the popularity of well-known trademarks, that is, the trademark needs to be known to the general public rather than the relevant public.

#### **8. Shorten the time frame for opposition and cancel the non-approval review procedure**

Article 36 shortens the time frame for filing opposition from three months to two months upon publication. This requires the genuine right owner who wants to initiate oppositions to expedite their monitoring work. Article 39 cancels the non-approval review procedure. The opposed party who is dissatisfied with the result of the opposition can only bring a suit in court. *The Draft* indicates that the CNIPA may introduce cross-examination and oral hearing in opposition cases to improve the

quality of opposition examination.

#### **9. Other noteworthy amendments**

To keep pace with the needs of scientific and technological progress, *the Draft* also updates the relevant provisions. Article 4 further opens the elements of trademarks, and the registration of non-traditional trademarks (such as odor trademarks and taste trademarks) may be feasible in China in the future. Seeing that more applications are applied by electronic means and the filing time is more accurate, Article 25 provides that only those applications whose time sequence on the same day cannot be distinguished will be further investigated for the sequence on use. Article 59 confirms the scope of trademark use covers the use in the Internet environment, which facilitates the registrants' proof of the use of their trademarks. The infringement of the exclusive right to use registered trademarks through e-commerce activities is added by Article 72.



**Liling YUAN**

**Trademark Attorney / Attorney-at-Law**

Ms. Yuan obtained her Master of Law degree from Renmin University of China. She joined Tee & Howe in 2015 as a trademark attorney and is currently acting as an Attorney-at-Law as well.

Ms. Yuan has almost 13 years' practicing experience in trademark field and specializes in the prosecution, enforcement, licensing, acquisition, anti-counterfeiting, infringement, dispute resolution and other IP-related matters. She has served numerous well-known domestic and international companies on trademark affairs. She could always combine her in-depth perspective with feasible strategy and provide practical recommendations for the clients.

#### **Newsletter from Tee & Howe Intellectual Property Attorneys**

**Address:** Suite 5-12, 5th Floor, Tower W1, The Tower Offices,  
Oriental Plaza, No.1 East Chang'an Avenue, Dongcheng District,  
Beijing 100738, China  
**Tel:** (86 10) 8529 5526  
**Fax:** (86 10) 8529 5528  
**Email:** [teehowe@teehowe.com](mailto:teehowe@teehowe.com)  
**Website:** [www.teehowe.com](http://www.teehowe.com)

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