



## Featured Article

# Draft Amendment to the Chinese Trademark Law (Draft for Comment): Focus and Impact

The Trademark Law of the People's Republic of China (hereinafter referred to as the "Trademark Law") has been amended four times in 1993, 2001, 2013 and 2019 since it came into force on March 1, 1983. The draft amendment is the fifth revision to the Trademark Law. With the further development of economy and society, the huge demand of trademarks by market entities also brought a series of problems. The specific performance was as follows: "registered trademarks but not used", "hoarding trademarks" and "idle trademarks" hindered the market entities with normal business from obtaining trademark registration. Malicious trademark registration still existed, especially the frequent registration of public resources, hot spots, special words for emergency events, celebrities' name, and so on. A few of provisions of the Trademark Law were amended in 2019, achieving positive results in cracking down on trademark hoarding and strengthening trademark rights protection. Although, the amendments failed to comprehensively address problems in the trademark field due to the limited modification content. To this end, it was necessary to further revise the Trademark Law. The following was an interpretation of the key provisions in the Exposure Draft for the draft of the Fifth Amendment to the Trademark Law and an understanding of the possible important changes in the future.

## **I. Increased the elements of registered trademarks**

In Article 4 of the exposure draft on the elements of trademark registration, the word "etc." was changed as "other elements" in the part of "words, graphics, numbers, three-dimensional signs, color combinations, sound, etc.", which will provide a clearer legal basis for the registration of non-traditional trademarks (such as odor trademarks). This will provide a means for brand protection for market entities with products or services related to taste, such as the entities that produce and sell plasticines, perfumes, etc.

## **II. Prohibitive provisions of repeated registration and exceptions, emphasizing the "one mark, one right" of registered trademarks**

In Article 14 of the exposure draft, a second paragraph was added to the section on "Conditions for Registration", "unless otherwise stipulated, the same applicant shall register only one identical trademark for the same goods or services". Article 21 clearly stipulated the prohibition of repeated registration. That was, "the trademark applied for registration shall not be the same as the prior trademark application, registered trademark, or the same as cancelled, revoked or invalidated by announcement within one year prior to the application date". Exceptions were also stipulated, "except in the following circumstances

or the applicant agrees to cancel the original registered trademark: for the needs of production or business, slight improvements have been made on the basis of an earlier trademark that has actually been used, and the applicant is able to explain the difference; the prior trademark cannot be renewed due to the reasons not attributable to the applicant; the prior registered trademark is cancelled because of failing to submit evidence of use within the time limit, but the prior trademark has actually been used; for reasons not attributable to the applicant, the prior trademark is revoked due to its failure to provide evidence of use in the non-use revocation procedure for three consecutive years, but the prior trademark has actually been used; the prior trademark is declared invalid because it conflicts with the prior rights or interests of others, but the prior rights or interests no longer exist; other justified reasons for repeating or reapplying for trademark registration."

These changes were major adjustments to the trademark application system. In recent years, repeated trademark application for registration is increasing. Some registrants adopted the "relay applications strategy" of repeated registration every three years to prevent the cancellation of the trademark due to the non-use of the trademark, and some registrants frequently applied for registration repeatedly in order to prevent the trademark from being opposed or declared invalid. Repeated registration not only increased the difficulty of rights protection of the prior right holder,

but also consumed limited trademark examination resources. This amendment referred to the principle of "one thing, one right" in the Property Law and the provisions of repeated authorization in the Patent Law, emphasizing the value orientation of "one trademark, one right" of registered trademarks. In addition to the explicit prohibition of repeated registration, the normal upgrading and optimization of trademark brands of enterprises and repeated registration for legitimate purposes were taken as exceptions, which were not included in the scope of regulation, reflecting the flexibility of the application of law.

### III. Regulating malicious applications of trademark

Article 22 of the exposure draft stipulated "malicious applications" for trademarks, which include: applying for a large number of trademarks without the purpose of using them, which disrupting the normal order of trademark registration; applying for trademark registration by deception or any other unfair means; applying for the registration of a trademark that is detrimental to the interests of the State or the public or has other major adverse effects; where a trademark application infringes on a well-known trademark of other party, an agent, representative or interested party applies for another person's trademark and damages the prior right of another person; other acts of applying for trademark registration in bad faith.

Article 67 and Article 83 of the exposure draft also stipulated the corresponding administrative penalty measures and civil liability for the act of applying for trademark registration with malicious intent. Those who apply for trademark registration in bad faith may not only be subject to a fine of up to RMB 250,000 Yuan or an administrative penalty of confiscation of illegal gains, but also be liable for civil compensation: if the civil rights of a specific subject are harmed, the subject of civil rights may demand compensation for losses; where the interests of the state or the public are harmed or serious adverse effects are caused, the procuratorial organ may file a public interest lawsuit.

As for the civil litigation of trademark malicious application, Xiamen Intermediate People's Court issued the Xiamen Court' top 10 typical intellectual property cases in 2021, one of which was a very typical case, in which Emerson Electric Company of the United States as the plaintiff sued a malicious trademark registrant. In this case, the defendant Mr. Wang, through the two companies he actually controls, entrusted the agency to apply for the registration of 48 trademarks of "爱适易" identical with or similar to the "爱适易" trademarks of Emerson Electric Company in a number of commodities and service categories. The court held that the two companies controlled by Mr. Wang had malicious trademark registration, which damaged the market order of fair competition, harmed the legitimate rights and interests of Emerson Electric Company

and constituted unfair competition. The trademark agency involved in the case accepted the entrustment even though it knew that trademark registration was malicious without the purpose of use, which constituted aiding infringement. It can be said that the case was a good exploration for civil litigation caused by trademark malicious application in the exposure draft.

#### **IV. The principle of change of circumstances will no longer applicable in trademark administrative litigation**

Article 42 of the exposure draft stipulated that the court shall take the factual state at the time the decision or order was made in trying a decision to reject a reexamination decision, a decision to deny registration or an invalidation order. If the status of the relevant trademark changed after the decision or ruling was made, it shall not affect the hearing of the decision or ruling by the people's court, except where the principle of fairness was obviously violated. That was to say, the people's court will no longer apply the change of circumstances principle when hearing trademark authorization and confirmation administrative cases in principle. If this article is finally passed, it will have a great impact on the current administrative litigation cases of trademark authorization and right confirmation. Even if the applicant removes the obstacles of citing trademarks prior through objection, invalidation or cancellation, the court

will not consider these if the obstacles are removed after the decision or adjudication, which will greatly reduce the number of administrative litigation cases of trademark authorization and right confirmation.

#### **V. Trademark transfer system shall be set up in the invalidation procedure**

Article 45 to Article 47 of the exposure draft stipulated the trademark transfer system in the invalidity procedure. In case of an act involving the malicious registration of a well-known trademark, or the malicious registration of a trademark by an agent, representative or interested party, or the preemptive registration of a trademark that has already been used by others and has certain influence by unfair means, the prior right holder may request the invalidity of the registered trademark, and he also may request to transfer the registered trademark to him.

The trademark transfer system in the invalidation declaration will provide the prior right holder with an alternative except for the invalidation of the other party's trademark, which is conducive to saving the trademark process for the prior right holder.

#### **VI. The trademark owner's obligations of trademark use shall be increased**

Article 61 of the exposure draft stipulated

that a trademark registrant shall, within 12 months after the expiration of every five years from the date of approval of the registration of a trademark, submit an explanation of the use of the trademark on the approved goods or the justified reasons for its non-use. Where the time limit is not specified, the trademark registrant shall be granted an extension of six months. If no explanation is given within the time limit, the registered trademark shall be deemed to be abandoned and the trademark shall be cancelled. The State Intellectual Property Office shall conduct a random check on the authenticity of the instructions provided by the trademark registrant. If the instructions are found to be untrue, the registered trademark shall be revoked.

This article will bring about a seismic change to the current trademark application and trademark agency service business, and also put forward higher requirements for trademark registrants to use and maintain registered trademarks. As of November 2022, China had registered 42.337 million valid trademarks, many of which were

"registered but not used", making it increasingly difficult for subsequent market entities to obtain trademark registration. This provision will help create a trademark registration and use order of on-demand application, appropriate possession, emphasis on use, and clearance of idle. According to the description of the exposure draft, in the subsequent implementation, there is not to increase the excessive burden of trademark registrants, and it is proposed to use the letter of commitment, the use of information form and other simple and easy-to-operate ways.

The above contents summarized and explained the major changes in the exposure draft. According to the comparison between the revised draft and the current trademark law and the previous revisions, this revision involved a lot of contents, some of which were subversive. The revised content is to adapt to and solve the existing problems in the field of trademark. The revised draft is currently open for public comment, and it will take some time for the final text to be published.

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Ms. Zang Yunxiao has expertise in intellectual property litigation and arbitration (including trademark infringement, patent infringement, copyright infringement and unfair competition); patent invalidation, trademark application/objection/invalidation; intellectual property legal counsel, company perennial legal counsel, economic contract disputes, etc. Since July 2004, she has represented a lot of intellectual property litigation cases, as well as patent and trademark invalidation cases, and has deep research and rich experience in intellectual property protection and risk prevention. She is particularly good at patent invalidation, patent litigation, patent infringement analysis and other types of cases in the electrical and mechanical fields; she also has extensive experience in trademark application, invalidation and rights protection. Her trademark infringement and unfair competition cases have been selected in the typical case of the Beijing Intellectual Property Court and the typical case recommended by “China Intellectual Property” . In addition, she is also good at designing intellectual property strategic protection programs for companies.