

# China's New Trademark Law: Key Considerations

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## An Article setting out key considerations raised by the 2014 amendments to China's trademark law.

The Trademark Law of the People's Republic of China, first promulgated in 1982, underwent its first major reform in amendments that became effective on May 1, 2014. In certain situations, the law applies to trademark violations that occurred before May 1, 2014, and continued thereafter. The main amendments to the trademark law cover:

- The trademark registration process.
- Opposition proceedings.
- Infringement liability.

While the new law addresses some problems that existed under the previous law, significant questions remain. The law has also introduced new issues. For example, the amendments establish a requirement of good faith in the registration and use of trademarks, which previously did not exist in China. The amendments also codify the previously existing ability to obtain, during examination or in the context of an administrative or judicial dispute, a determination that a trademark is well-known. This is intended to encourage the trademark authorities and courts to recognize this status and impose stiffer fines for infringement of those marks. This Article sets out the key considerations regarding the new law.

### NEW TIME LIMITS AND EXAMINER'S DISCRETION

The new law sets time limits for trademark:

- Examination (see *Examination*).
- Opposition, cancellation and review (see *Opposition, Cancellation and Review*).

### EXAMINATION

The new law requires examiners to examine trademark applications much sooner than under the old law. Under the new time limits, applicants can expect the Chinese Trademark Office (CTO) or the Trademark Review and Adjudication Board (TRAB) to:

- Process applications faster (see *Faster Processing*).
- Issue more frequent refusals (see *Possible Increased Refusals*).

### Faster Processing

The new law requires examiners to review applications within nine months of their filing. The CTO has distributed information suggesting that it will enforce the new examination time limit. If the CTO does not conduct a timely examination, applicants may file administrative reconsideration applications in the TRAB within sixty days of the end of the period by which examination was supposed to have been performed. The TRAB will issue a decision within sixty days of the filing of the reconsideration application.

### Possible Increased Refusals

The new examination time limit may increase refusal rates for trademark applications. In the past nine years, the refusal rate increased from approximately 22% to 33% while the examination period shrank from approximately three years to ten months. Given the correlation between the examination period and the refusal rate, it appears that the refusal rate under the new law may increase even further.

In recent years, Chinese trademark agents and attorneys have lodged an increasing number of complaints about decisions made by newly hired and trained examiners who lack substantial experience. Under the new trademark law, examiners can refuse applications when they believe marks:

- Lack distinctiveness.
- Are similar to other registered marks, resulting in consumer confusion.
- Have a negative impact on society.

Generally, examiners have fairly broad discretion when making refusals, particularly in deciding if a mark has a negative impact on society. The standards for assessing negative societal impact are relatively broad and subjective. An application for a trademark that relates to politics, religion or superstitious concepts is more likely to be refused on negative societal impact grounds. One potential way to avoid a negative societal impact refusal is to combine the potentially objectionable portion of the mark with other words or design elements. If the CTO refuses an application on the negative societal impact ground, the applicant may appeal the refusal to the TRAB. In the appeal, an applicant may allege that consumers would view and comprehend the mark in its entirety rather than the objectionable portion in isolation.

## OPPOSITION, CANCELLATION AND REVIEW

The new trademark law sets out new deadlines for trademark opposition, cancellation and review as detailed in the following chart:

Process	Time Limit	Authority
<b>Trademark Opposition</b>	12 months from expiration of opposition period, with a potential 6 month extension.	CTO
<b>Non-use Trademark Cancellation</b>	9 months from filing, with a potential 3 month extension.	CTO
<b>Trademark Invalidation</b>	9 months from filing, with a potential 3 month extension	TRAB
<b>Review of Trademark Refusal on Examination or Cancellation</b>	9 months from filing, with a potential 3 month extension.	TRAB
<b>Review of Trademark Opposition (can only be filed by the applicant)</b>	12 months from filing, with a potential 6 month extension.	TRAB

While not specifically addressed by the new law, a trademark applicant whose application is blocked by a previous registration may:

- File a review application with the TRAB.
- Concurrently file a cancellation or invalidation application against the previous registration in the CTO or TRAB respectively.

Under Article 11(5) of the Regulation of Implementation of Trademark Law, TRAB trademark reviewers have discretion to suspend the review procedure upon the applicant's request until a final decision is made on the cancellation or invalidation. As a practical matter, given the new time limits for review applications and cancellations or invalidations, it may be more difficult for TRAB reviewers to grant suspension requests when a cancellation or invalidation is not filed concurrently with the review application. As the time period for review is the same as the time period for decision on cancellation or invalidation, a significant deferment in filing the cancellation or invalidation following a review application may discourage the TRAB reviewer from granting suspension of the review because such suspension may be perceived as causing an unnecessary delay beyond the statutory limits.

Even if the previous registration is removed before the review decision is made, the application may still be refused in review because Article 50 of the new statute does not allow an application to be approved or registered within a year after an identical or similar mark was cancelled or invalidated. In practice, this may not always be strictly followed by the CTO, TRAB and People's Courts, but it still provides them a legal basis to refuse applications.

Article 50 may not apply when the identical or similar mark was cancelled based on non-use. An applicant may also overcome an Article 50 TRAB refusal by appealing the decision to the People's Courts. If the one year non-registration period has passed when the court issues its judgment, the law may no longer prohibit registration. However, the TRAB and People's Courts still have discretion to decide whether or not these exceptions to Article 50 apply.

The risk of suspending a trademark review is that the suspension may substantially prolong the review period and, if the applicant does not ultimately obtain the registration, may allow bad faith applicants to file intervening applications for identical or similar marks.

### DISMISSED OPPOSITIONS NO LONGER APPEALABLE

Under both the current and previous law, if a trademark application passes preliminary examination, the CTO publishes the trademark in the official gazette. For a period of three months from publication, the trademark may be opposed by a third party. The previous law allowed either party to appeal a decision on opposition to the TRAB. The TRAB's decision could then be appealed to the People's Courts. However, under the new law, if the CTO dismisses the opposition:

- The opponent cannot appeal the decision to the TRAB.
- The trademark will register after the three-month publication period.

This new procedure is designed to prevent registration delays arising from bad faith oppositions.

An opponent that does not succeed in an opposition would need to seek recourse through a separate cancellation action after the offending mark is registered.

### LIKELIHOOD OF CONFUSION

The new trademark law introduces likelihood of confusion as a standard for deciding trademark infringement. Since 2005, the Trademark Review and Examination Guidelines have contained a similar standard. The judicial branch had already accepted the likelihood of confusion standard before the new law.

Traditionally, the CTO and TRAB rarely considered likelihood of confusion when examining trademark applications or considering oppositions, but rather relied on classes and subclasses of goods or services to assess similarity. However, recently, while it may not automatically assess similarity based on likelihood of confusion, the TRAB has considered likelihood of confusion when a registrant or opponent can provide substantial evidence. Given CTO examiners' new time limits, whether they will consider likelihood of confusion during examination is unclear.

### DIVISION OF APPLICATIONS

The new law allows an applicant to divide its trademark application within fifteen days after the receipt of a partial refusal by the CTO based on prior registered rights in some of the goods or services of interest. Under the previous law, an applicant whose application was partially refused could file a review application with the TRAB for the refused part. However, the entire application would be suspended and the part that had been approved by the CTO would not be published until the TRAB made a final decision on review. The new law allows the applicant to divide an approved portion of the application into a separate application that the CTO will promptly publish. Under the new law, the applicant can file review applications for refused parts without delaying publication and registration of approved portions.

### STATUTORY DAMAGES

Under the new law, the People's Court has discretion to award statutory damages not in excess of 3,000,000 yuan where it is difficult to determine:

- The actual losses suffered by the rights holder.
- The profits earned by the infringer.
- The fees for licensing a registered mark.

Under the previous law, the compensation limit was 500,000 yuan. Although some courts have apparently not yet implemented this new standard, they are expected to do so soon.

### BAD FAITH INFRINGEMENT

Under the new law, if a court finds bad faith trademark infringement, the court can award up to three times the normal infringement damages. Although there is no statute or judicial interpretation explaining bad faith in trademark infringement, based on some cases published by the People's Supreme Court, a court may consider any of the following when assessing bad faith:

- Whether the infringer knew or should have known that the infringed trademark was registered.
- Whether the infringed trademark is a well-known mark.
- Whether the infringer intended to trade on the goodwill of the infringed trademark.

While Chinese courts may consider all three factors, no single factor controls.

An administrative fine of 100,000 yuan is also applicable against infringing use of "well-known trademarks" on products, packaging or advertising or for other commercial activities.

### SECONDARY LIABILITY OF INTERNET BUSINESS SERVICE PROVIDERS

For the first time, the new trademark law and new Regulation for Implementation of Trademark Law stipulate that intentionally providing internet business services that allow the sale of infringing goods or services can be considered contributory trademark infringement. Currently, some of China's biggest online shopping websites, for example, TaoBao and JD 360, have relatively long and complex procedures for removing infringing online products. The new rule may pressure those websites to propose faster and more efficient procedures for handling online infringement. However, the rule's implementation is still unknown.

### NON-USE AFFIRMATIVE DEFENSE IN COURT

Article 64 of the new trademark law codifies and reaffirms the People's Supreme Court's opinion that a defendant in a trademark infringement suit may affirmatively defend a trademark action by contending that the trademark registrant did not use the registered mark in the past 3 years. The defendant does not have to file a cancellation action in the CTO, rather the defendant may allege non-use in the lawsuit and the People's Court will decide whether to accept the contention based on its own judgement. If the registrant fails to prove use the defendant will not be liable for trademark infringement. However, the registrant's registration will not be automatically cancelled. To seek to cancel the registrant's registration, the defendant must bring a cancellation action in the CTO.

### TRADEMARK TRANSLATION OR TRANSLITERATION

While the law was not altered regarding translation or phonetic transliteration, the registration of Chinese character versions of non-

Chinese language trademarks can expand the scope of protection for registrants. The applicant should consider how the mark will be used in Chinese, if at all, which involves determining the proper translation of any terms, and identifying how a non-Chinese mark would be written in Chinese in order to be pronounced similarly.

For example, while the author's law firm may seek to register the first part of its name, LADAS, it would also benefit by applying for the phonetic equivalent in Chinese, 拉达斯. Doing so at the same time as filing the mark in English can help avoid later needing to seek cancellation of a third party's bad faith registration of the translated mark. It also allows the owner greater flexibility in using its marks in China. This contrasts with the practice in the US, where third party applications for translations of a mark in an existing registration are usually precluded under the Doctrine of Foreign Equivalents, and where transliterations could be refused based on similarities in sound.

### SOUND TRADEMARKS

Under the new law, for the first time sound marks are permitted to be registered as trademarks. To register a sound mark, an applicant must submit:

- A sound sample.
- A description of the mark in words.
- An image of the staff, if the sound can be illustrated on a musical staff.

Any description of a sound trademark must be consistent with the sample.

The CTO may publish detailed guidelines for sound trademark applications in the future.

### PRACTICAL CONSIDERATIONS

The new law brings many positive changes but leaves some practical questions yet to be answered. Non-Chinese trademark owners that are manufacturing or distributing goods or providing services in China, or plan to do so, should consult with counsel on appropriate trademark searching and filing strategies in China in conformity with the new law.

We would like to recognize the contributions of the firm's former intern, Qijun David Lu, a student at Hofstra University School of Law.

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