



CHINA: SUBSTANTIAL PROGRESS IN PLACE FOR THE THIRD AMENDMENTS TO THE TRADEMARK LAW

After discussions and consultations for nearly two years, the Legislative Affairs Office of the State Council (“LAOSC”) of the People’s Republic of China eventually published the second version of the draft third amendments to the Trademark Law on September 2, 2011. The public has the opportunity to offer comments on this draft before October 8, 2011.

This draft was revised based on the previous draft submitted by the State Administration for Industry and Commerce (“SAIC”) at the end of 2009. LAOSC will finalize the draft based on the public comments and submit it for approval by the National People’s Congress.

LAOSC took a conservative approach in reviewing SAIC’s draft and rejected a number of amendments proposed by SAIC, while it also brought in a new mechanism in trademark opposition. Overall, this draft reflects the Central Government’s intention to avoid drastic changes in the existing system.

SOUND AND SINGLE COLOR MARKS

Along with the increasingly severe competition in the market, new types of trademarks, such as smell, sounds, motions, etc., have emerged as a way to identify a certain party’s products from its competitors. In theory, as long as a sign is capable of distinguishing origin of goods and services, it should be entitled to protection. Accordingly, these new types of trademarks should be protected as well, and in fact they have actually been in the U.S., Singapore, and some other countries and regions.

In light of this global trend, SAIC had proposed in its draft that the China Trade Mark Office (“CTMO”) may accept applications for smell, sound, and motion trademarks when appropriate. This provides a clear authorization for CTMO to consider and accept these nontraditional trademarks.

However, in LAOSC's draft, LAOSC removed such authorization from CTMO but extended the scope of acceptable trademarks to single color and sound trademarks.

MULTI-CLASS AND ELECTRONIC APPLICATIONS

Multi-class and electronic applications have been adopted in many countries for years and have proved to be efficient in simplifying the trademark registration process. This draft allows multi-class and electronic applications, which keeps China's commitments to the Singapore Treaty on the Law of Trademarks and reflects the modern trend of trademark legal systems.

SUBSTANTIVE EXAMINATION

The major change in substantive examinations is that the applicant will be entitled to submit a response to the Examiner's intended refusal within 30 days.

The existing Trademark Law does not require CTMO to notify the applicant before the Examiner decides to reject an application. In other words, the applicant has no notice of the intended refusal and no means of discovering the grounds for intended refusal before receiving the refusal decision from CTMO. The applicant's only remedy, if unsatisfied with the refusal decision, is to file a review of refusal with the Trademark Review and Adjudication Board ("TRAB"). This process normally takes one to two years before the applicant receives a decision on the review of the refusal. The above practice arguably violates the Singapore Treaty on the Law of Trademarks, which requires that applicants be given an opportunity to respond to the intended refusal within a reasonable time period.

To comply with the above treaty, the draft amendments provide that the Examiner may request the applicant to submit an explanation of or amendments to a trademark application within 30 days during the process of examination. Even though there is no provision as to whether the applicant can file evidence or not, the law does not forbid the submission of evidence. Such procedure provides a chance for direct communication between the applicant and the Examiner, which may enhance the chance of

successful registration of an application and save costs and time for the applicant, in particular for those rejections caused by ownership of similar marks by different affiliates or those that can be easily overcome by submitting a letter of consent from the cited mark owner.

In addition, the deadline for filing a review of refusal is extended from 15 days to 30 days, which is much more reasonable, particularly for foreign applicants.

LAOSC also proposed additional absolute refusal grounds against trademarks that 1) are identical with or similar to names and logos of central government organizations, 2) are discriminatory toward race, or 3) will easily confuse the public regarding quality or place of origin.

DIFFERENT OPPOSITION PROCEDURES IN DIFFERENT SITUATIONS

Under the existing Trademark Law, a trademark opposition should be filed with CTMO and may go through up to four rounds of procedures that could last for more than 10 years. It is not uncommon that an applicant finally wins the opposition but still cannot get the registration certificate due to failure to renew its application (in practice, CTMO requires an opposed application to file renewals in due course even before it is registered). It is also costly and time consuming for a rights owner to fight against a hijacking application for more than 10 years.

As the TRAB Examiners are generally more experienced than the CTMO examiners, SAIC proposed to abolish the CTMO procedure to simplify the entire system. In other words, oppositions should be filed with TRAB directly.

Surprisingly, LAOSC maintained the CTMO procedure and brought in a different mechanism based on different decisions made by CTMO. More specifically, if CTMO disregards an opposition (*i.e.*, the application is granted for registration), the application will mature into registration without being subject to further review or appeals; on the other hand, if CTMO upholds an opposition (*i.e.*, the application is rejected), the applicant is entitled to file a review in

opposition to TRAB and may further appeal to the court for up to two instances if unsatisfied with the TRAB decision.

This mechanism is adopted mainly to protect bona fide applications from being blackmailed by bad faith oppositions for potentially delaying the registration for as long as more than 10 years under the current system.

As a balance, LAOSC’s draft provides that the opponent may file a cancellation against the same mark if unsatisfied with the opposition decision, without any limitation on the grounds, while it is prohibited to file a cancellation with the same grounds as the previously filed opposition against the same mark under the existing Trademark Law.

Below is a chart for comparisons of the different opposition systems under the existing Trademark Law and the two drafts amendments:

Current	SAIC’s Draft	LAOSC’s Draft	
1. CTMO	No CTMO procedure	1. CTMO	
		<i>If registration is granted:</i>	<i>If registration is rejected:</i>
2. TRAB	1. TRAB	2. Proceed to registration	2. TRAB
3. Beijing No. 1 Intermediate People’s Court	2. Beijing No. 1 Intermediate People’s Court		3. Beijing No. 1 Intermediate People’s Court
4. Beijing Higher People’s Court	3. Beijing Higher People’s Court		4. Beijing Higher People’s Court

STRENGTHENED PROTECTION AGAINST HIJACKING APPLICATIONS

Trademark hijacking is a serious problem that troubles rights owners in China. In most cases, the hijackers file applications for identical or similar marks in a rights owner’s core classes or classes that are closely related to the rights owner’s business before the rights owner manages to perfect, or even start, its trademark filings in China. It is very difficult for the rights owner to defend such hijacking applications if it

has never used its marks in such classes in China or fails to provide sufficient evidence to prove prior use and reputation of its marks in China.

SAIC tried to prevent such hijacking applications by, among other regulations, imposing good faith requirements upon the applications. LAOSC removed such requirements in its draft but maintained the provisions that hijacking applications by certain relationships (contractual, business, geographical, etc.) shall be prohibited and that trademarks with strong distinctiveness and certain reputation shall be entitled to cross-class protection against imitations of the marks.

HIGHER STATUTORY COMPENSATION LIMIT

Similar to the new Patent Law, LAOSC proposed to increase the statutory compensation to up to RMB 1 million (approximately US\$153,846). Nevertheless, the rights owner will have

to provide evidence of use within three years for the compensation claims.

OTHER CHANGES

There are other changes in LAOSC’s draft, such as definition of trademark infringements as previously introduced in the judicial interpretations, authorization to the local governments for recognition of famous trademarks, and regulations on trademark agencies and examiners.

LAWYER CONTACT

For further information, please contact your principal Firm representative or the lawyer listed below. General email messages may be sent using our “Contact Us” form, which can be found at www.jonesday.com.

Horace Lam

Partner

Beijing

+8610.5866.1180

hlam@jonesday.com

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