

## **CNIPA Issues Significant Draft Amendment to the PRC Trademark Law**

The China National Intellectual Property Administration (CNIPA) circulated a draft amendment to the PRC Trademark Law (TML Draft Amendment) for public comment on January 13, 2023. The TML Draft Amendment is the product of deliberations that officially commenced in 2018 and resulted in the 2019 stopgap revisions to the Trademark Law that were primarily focused on addressing the issue of trademark hoarding. The current TML Draft Amendment was prepared by a CNIPA working group established in 2022 to consolidate prior survey and research efforts and prepare a first draft of proposed revisions. This first draft is a comprehensive and ambitious effort to update the law to address both new and longstanding issues, including the issues of bad faith filings and trademark use. Many industry groups and professional organizations—including the International Trademark Association (INTA) and the US-China Business Council (USCBC)—will be submitting comments on behalf of their members before the February 27 deadline for public comment.

The TML Draft Amendment will probably undergo several rounds of additional revision before a final or near-final version will be submitted to the National People's Congress (NPC) for review, likely over the course of the next two years.

The TML Draft Amendment and the official explanation document (in Chinese) can be accessed [here](#). A U.S. Patent and Trademark Office (USPTO) translation can be accessed [here](#).

The TML Draft Amendment is comprised of 101 articles in 10 chapters (as opposed to 73 articles in eight chapters in the current law). It includes the addition of 23 new articles, as well as organizational or substantive revisions to 51 articles of the current Trademark Law. Only 27 articles remain unchanged.

Some of the more significant and noteworthy revisions (with comments) are explained below.

### **Article 4: Trademark Definition**

This article revises the definition of a trademark as a sign that can be used to identify and distinguish the source of goods or services (rather than just distinguishing the goods of one proprietor from another). It also adds "or other elements" to the list of signs that can comprise registered trademarks.

*Comment:* The addition of "other elements" suggests the possibility of acceptance for a broader range of nontraditional trademarks (e.g., single color marks, scent marks, etc.) if they can indeed function as source identifiers.

### **Article 5: Application for TM Registration**

This article includes aspects of the earlier Article 4, underscoring a new emphasis on use or commitment to use in commerce as the basis of a trademark filing. It also adds "unincorporated organizations" as a recognized proprietor for trademark applications (along with natural and legal persons).

*Comment:* The emphasis on use or intent to use portends a higher standard for the maintenance of trademarks and is consistent with the introduction of the reporting requirements for registrations under the new Article 61.

## **Article 14: Restrictions on Registration**

This article adds a prohibition against filing trademarks that violate public order and good customs to the prior two standard conditions of registration: distinctiveness and no conflict with prior rights or interests of others.

*Comment:* This article (along with Article 21) serves as the basis for a limited refiling prohibition focused on marks that are the same as prior marks that designate identical goods or services (details are set out in Article 21). Refiling for proper purposes, e.g., rebranding or refiling as an extension of a strategy to clear bad faith filings in parallel opposition/invalidation and/or subsequent court appeal proceedings, etc., would still be viable for a good faith applicant according to the CNIPA Explanation for the TML Draft Amendment, but further guidance and clarification of the examination and review standards will be required (this is further discussed in the comment for Article 21 below).

## **Article 18: Protection of Well-known Trademarks**

This article expands the protection afforded to unregistered well-known marks under current Article 13 by explicitly prohibiting the "use and registration" of reproductions, imitations, or translations of such marks that would mislead consumers into assuming a certain degree of connection between the mark and the well-known mark sufficient to cause dilution of the distinctiveness or damage to the reputation of the unregistered well-known mark. It also expands the scope of protection for unregistered trademarks that are famous to the "general public" to unrelated goods/services.

*Comment:* The "widely well-known to the general public" standard introduces what appears to be a "new" twist to the "well-known to the relevant public" standard under Article 10 (Well-known Trademarks and the Protection Principles), and this will indeed require further clarification. It is unclear whether the introduction of this "general public" language portends a narrowing of the scope of protection for marks that are well-known only among the "relevant public" regardless of the registration status and the level of relevance of the designated goods/services. That said, the introduction of this new "general public" language is arguably unnecessary in light of the general principle established under Article 10 that clearly ties the scope and strength of protection to the level of distinctiveness and fame.

## **Article 21: Prohibition of Duplicate Registrations**

This is a wholly new article that prohibits the filing and registration of trademarks that are the same as prior trademarks by the same proprietor covering the same goods and that were subject to a nonconsensual cancellation, revocation, or invalidation decision within a year of the date of filing. The enumerated exceptions to the prohibition include (1) where minor improvements are made to the prior mark for the needs of production and operation; (2) where the prior mark was not renewed for reasons not attributable to the applicant; (3) where a prior trademark was canceled for failure to timely submit evidence of use, but it had actually been used; (4) where a prior mark was canceled in a nonuse cancellation proceeding for failure to submit evidence of use for reasons not attributable to the applicant and in circumstances where the mark had actually been used; (5) where the prior trademark was invalidated on the basis of third-party prior rights or interests, but the prior rights or interests were not actually in existence at the time; or (6) for other proper reasons.

*Comment:* The introduction of a refiling prohibition (Articles 14 and 21) could significantly affect all concerned parties, including serial pirate filers/trademark hoarders and rightful brand owners. It is unclear whether and how the prohibition could affect refilings that are part of a wider strategy to clear bad faith filings from the registry via pending parallel opposition/invalidation and/or subsequent court appeal proceedings (without a reliable "suspension of procedure" mechanism at the filing stage under current practice). Such refilings are common in situations where the rightful brand owner is unable to secure registered trademark rights because of blocking

pirate marks and are informed by a bona fide desire to prevent additional third-party citations (e.g., non-bad faith filings) jumping the queue pending resolution of parallel proceedings against the pirate marks, or where a multinational company adopts a uniform global branding strategy but delays actual commercial use for certain goods and services in the China market. In sum, we will need additional clarification as to the circumstances contemplated under the "other proper reasons" exception and whether these kinds of good faith strategic refilings would be exempted.

## **Article 22: Applications for Registration of Trademarks in Bad Faith**

The new proposed Article 22 would provide a stand-alone basis for clearing the applications and registrations of trademarks that were filed in bad faith, and would include (1) applying for a large number of trademark registrations, not for the purpose of use, disrupting the trademark registration order; (2) applying for trademark registrations by fraud or other improper means; (3) applying for trademarks in circumstances where the trademark is "detrimental to the interests of the State or the public interest" or has other significant unhealthy influences; (4) applying for trademarks that violate the provisions of Article 18 (well-known trademark), Article 19 (unauthorized filing by an agent or representative, or other related party), and Article 23 (third-party prior rights and interests), intentionally damaging the legitimate rights or interests of others or seeking improper interests; or (5) engaging in other acts of bad faith involving the filing of applications for trademark registration.

*Comment:* This article would entail the first stand-alone provision that addresses a range of bad faith scenarios that would serve as the basis for rejections of trademark filings as well as for oppositions and invalidations. It is noteworthy that the second paragraph of Article 22 would explicitly expand the purview of Article 44.1 of the current Trademark Law (i.e., prohibition of registrations obtained by deceptive or other improper means) to the rejection and opposition of trademarks, rather than just the invalidation of registered trademarks.

One concern with this provision is that the "not for the purpose of use" limitation in the first paragraph of Article 22 would also apply to defensive filings by rightful brand owners. The 2021 Trademark Examination and Review Guidelines provide that a defensive filing in good faith (for the purposes of actively and prudently defending piracy or preserving rights for business expansion) does not fall under the circumstances of Article 4 of the current Trademark Law ("bad faith filings, not for the purposes of use"). Since mid-2022, CNIPA has started issuing examination opinions to brand owners with trademark registrations covering a wide range of goods/services classes (i.e., defensive filings) requiring that they submit proof of actual commercial use or an intent to use the subject marks. The current CNIPA campaign has led to significant concern by brand owners with defensive filing programs aimed at mitigating the effects of widespread trademark piracy as well as an inflexible adoption of the "not for the purpose of use" limitation could essentially render such defensive filing strategies untenable going forward. With this in mind, further clarifications of the examination and review standards are required to ensure that strategies to curtail trademark hoarding do not affect good faith efforts by rightful brand owners to protect key brands from being targeted by bad actors (and do not lead to significant costs for responding to CNIPA office actions involving defensive filings).

## **Article 36: Trademark Oppositions**

This article shortens the period in which oppositions can be filed from three to two months. It establishes that any prior rights holder or interested party can file an opposition based on Article 18 (well-known trademark), Article 19 (bad faith applications by agents, representatives, or another related party), Article 20.1 (geographical indication), Article 23 (prior rights), Article 24 (prior registration), and Article 25 (prior application). In addition, any person may file an opposition based on Article 15 (prohibited signs), Article 16 (lack of distinctiveness), Article 17 (nonfunctionality of 3D trademark), Article 21 (repeat registration), Articles 22.1 and 22.2 (trademark hoarding, no intention to use, disrupting trademark registration order, bad faith filing by fraud or other improper means), and Article 26 (trademark filed by trademark agency).

*Comment:* This article shortens the opposition period from three to two months, but it is unclear whether the period to supplement opposition filings will be shortened from three to two months as well. Along with Article 39 (confirming that an opposed party, also a trademark applicant, can only appeal an opposition decision to the Beijing IP Court), this provision reduces the time for a trademark applicant to prosecute an application through to registration, simplifies the current examination and prosecution procedures (i.e., opposition and opposition appeal) and consolidates the procedures within the same examination/review authority (i.e., CNIPA). It is also noteworthy that the current draft does not adopt a trademark transfer process mirroring the process contemplated for invalidations in Article 45 below.

### **Article 39: Examination of Opposition**

This article would remove the option of an administrative appeal for the proprietor of an opposed mark that is disapproved and would require that the proprietor bring an appeal to the Beijing IP Court within 30 days of receipt of a decision by the CNIPA.

### **Article 42: Suspension of Procedure**

This article expands on paragraph 3 of Article 35 of the current law. It provides that when the People's Courts (i.e., the Beijing IP Court or Beijing Higher People's Court) reviews a refusal, disapproval of registration, or an invalidation matter based on prior rights (e.g., Articles 24 and 25), a subsequent change in the status of the relevant prior trademark shall not affect the review by the People's Court "unless the principle of fairness would be obviously violated."

*Comment:* This provision confirms that the status of prior rights at the time the CNIPA decided a particular matter will trump a later change in the status of the trademark in question unless doing so would result in an obviously unfair result. Many rejection appeal matters involve a "change in circumstances" (e.g., when the conflicts posed by prior marks are neutralized/removed because of consent, assignment, expiration of prior rights, or cancellation/invalidation), and under current practice, CNIPA examiners have some amount of discretion to delay the review of a rejection appeal until decisions are rendered on parallel matters. With this in mind, further clarification regarding the exceptions contemplated by an adoption of the "fairness" principle and how that would affect CNIPA review practice would be required.

### **Article 45: Invalidation on Relative Grounds and Trademark Transfer**

This article expands on the current Article 45 by confirming that the registration of trademarks can be challenged by prior trademark owners or interested parties on the basis of Article 18 (well-known trademark), Article 19 (bad faith applications by agents, representatives, or another related party), Article 20.1 (geographical indication), Article 23 (prior rights), Article 24 (prior registration), and Article 25 (prior application) within five years of the registration date of the challenged trademark. It further confirms that the prior rights holder "may request that the registration be transferred to them" in the context of invalidations based on Article 18 or Article 19, or for invalidations filed against trademarks obtained by improper means in violation of Article 23 when the trademark has a certain degree of influence. It also echoes the current Article 45 language that exempts the owners of well-known trademarks from the five-year rule when the challenged registration was filed in bad faith.

*Comment:* Obviously, the most noteworthy addition to Article 45 is the ability of a rights holder to request that a challenged registration be transferred to them in the context of invalidation petitions filed on the basis of Articles 18 and 19 and for improper registrations of influential trademarks under Article 23.

### **Article 46: Handling of Trademark Transfer**

This new article provides that transfers requested under Article 45 shall be supported when they are justified, there are no compelling reasons for declaring the mark invalid, and allowing the transfer would not cause confusion or other unhealthy effects—otherwise, the reviewing authorities should declare the mark invalid. The language of this provision also requires the registrant of a mark that is subject to a transfer ruling not to dispose of the mark and to act to maintain the validity of the registered trademark if necessary.

*Comment:* This provision sets out the criteria for the acceptance of transfer requests in the context of invalidations, but clarification as to the circumstances in which "unhealthy effects" could be inferred would be needed in order to better understand how these kinds of requests would be reviewed. In addition, it would potentially be very difficult to compel a registrant subject to a transfer ruling to actually take actions to maintain a registration, such as to file a renewal application if, indeed, the registration was, for example, at the end of the renewal grace period.

#### **Article 47: Effectiveness of Invalidation Decision or Ruling**

This article revises current Article 46, and the most important change is confirmation that a ruling on the transfer of a registered trademark should be published and that the applicant for the transfer would become the registrant of record on the date of publication.

*Comment:* This is consistent with the current procedure in which trademark transfers vest upon publication in the *PRC Trademark Gazette*.

#### **Article 48: Effectiveness of Declaration of Invalidation**

This article expands on current Article 47 by confirming that the use of a registered trademark that is later declared invalid is subject to administrative sanctions for infringement under Article 74.2 when such use infringes the registered rights of a third party, and the registrant or its licensee acts in bad faith.

#### **Article 49: Cancellation of Registered Trademark**

This article significantly expands on Article 49 of the current Trademark Law by providing a mechanism for which any natural person, legal person, or unincorporated organization can petition for the cancellation of a trademark registration if (1) the trademark has become generic, (2) the trademark has not been used for three consecutive years without justification, (3) use of the mark "has caused the relevant public to misunderstand the quality and other characteristics of the goods or the place of origin," (4) the registrant of a collective mark violates the provisions of Article 68, or (5) the use of a registered trademark or exercise of rights therein "has seriously impaired the public interests and caused significant unhealthy effects." The last two items can also serve as the basis for ex-officio cancellation of a registered trademark by CNIPA.

#### **Article 50: Quarantine Period for Trademark Registration**

This article expands on the current version of Article 50 to confirm that a one-year filing embargo will apply to the filing of trademarks that are the same or similar to registered trademarks that are canceled under items three, four, and five of Article 49 above, canceled for a violation of the unilateral alteration prohibition in Article 64, revoked for failure to provide timely evidence of use under Article 61, or are not subject to timely renewal upon expiration of the registration period.

*Comments:* In practice, the Article 50 embargo rule had often served to prevent rightful brand owners from timely registering their own marks after expending years of effort and expense clearing the registry of preemptive bad faith registrations and refilings. The revised language provides clarification for calculating the

one-year "quarantine" period (i.e., one year after publication of the cancellation), and appears to address some brand owner concerns by affirming that the one-year embargo rule does not apply to invalidated marks.

## **Article 61: Explanation of Trademark Use**

This new article introduces a use requirement for all registered trademarks. Under the provision as currently drafted, registrants would be required to file a statement of use or justification for nonuse with CNIPA every five years, and within the 12-month period following the expiration of each five-year period. The statements of use can cover multiple trademarks within the covered period. Failure to timely file a statement of use will result in the issuance of a notification by CNIPA, and if an "explanation" is not provided within six months of receipt of the notice, CNIPA shall cancel the registered trademark. CNIPA will also conduct random inspections of the "authenticity" of statements provided and may require supplementary information as appropriate. If a random inspection confirms that a statement of use was fraudulent, then CNIPA shall cancel the registered trademark.

*Comments:* This would be a fairly novel addition to PRC trademark practice and could have a significant impact on brand owners who have adopted a wide defensive filing strategy (i.e., the filing of key marks for goods and services for which there is no intent to actually use the marks in order to prevent trademark pirates from preemptively filing and registering the same marks for the same goods and services). In addition, the adoption of a "proof of use" regime like the one contemplated here would require clarification of the standards for the submission of specimens of use, the scope of acceptable "explanations" of late responses, and the process and standards for random inspections of use claims.

## **Takeaway**

As suggested above, some of the revisions introduced in the TML Draft Amendment would be significant improvements on the current law and would introduce new processes and procedures into PRC trademark practice, including new tools for addressing longstanding problems of trademark piracy and the establishment of a more robust "use in commerce" requirement for maintaining registrations. The current Trademark Law amendment process is likely to produce a couple of additional draft iterations before a final version is presented to the NPC for review and promulgation; this process is not expected to take place before 2024. Stay tuned!

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