

Interview No.34

Chinese "Greatly Changed" Trademark Law to Be Enforced Starting from May (1)
Measures against Misappropriated Applications to Be Strengthened,
with Expectation and Apprehension in Setting of Terms for Examination/Trial
Examination
【2014/4/25】

An amendment to the Chinese Trademark Law was adopted by the Standing Committee of the National People's Congress on August 30, 2013, and was enforced from May 1, 2014. It is called "a great reform" by industry people because the present amendment required a 10-year preparation period for amendment of 54 sections, both large and small. The number of trademark applications from Japan is 21,572 cases, following the U. S. A. (in 2012). It is expected to increase in future, with local business expansion. Meanwhile, there are many Japanese enterprises racking its brains over differences in legal systems between Japan and China in business transactions, damages by imitation products, misappropriated applications and the like. Concerning the background of the present amendment and main points, we asked Ms. Hui LV (呂慧) and Mr. Wenhao FU (傅文浩), of the Trademark Department of Dragon International Property Law Firm in Beijing, and Ms. Masako KAWAHARA, Patent Attorney at Miyoshi & Miyoshi, to give opinions from the standpoints of Chinese and Japanese attorneys, respectively. (Summarized by: Eiichiro IKEDA, Techno Associates, Inc.)

10-Year Preparation, Great Reform Covering 54 Sections

Mr. FU: The present revision of the Chinese Trademark Law is the third at this time since it was enforced on March 1, 1983. Both the past revisions of the law were carried out in line with the then policies.

The current Chinese Trademark Law was established by a flow on from the "Reform and Opening-up" policy by Deng Xiao Ping since the late 1970's. The first revision was carried out in February, 1993. It can be said that this was a revision of the law to highlight the importance of the reform policy and market economy to foreign countries while the national economy was still sluggish after the Tiananmen Square incident. The second revision was carried out in October, 2001. It was a movement to meet the requirement for joining the WTO of which China became a member state in December of the same year. Therefore, the current Trademark Law has contents substantially in line with the TRIPPs Agreement and the Paris Convention.

The preparation work for the present revision of the law had been underway since 2003. A bill, which had been submitted to the National People's Congress three times over the years, finally passed on August 30, 2013, and came into force on May 1, 2014. Indeed, it took 10 years and contains up to 54 amended sections. So, it deserves being called a great reform. The reform took the form of maintaining the original text, and clauses were added where needed.

With the Chinese trademark law system as it is, four main problems can be enumerated. Firstly, there is the issue of shortened examination periods. Even under the present conditions, it takes a year and a half from the filing of an application to registration. It used to take 2 to 3 years. Secondly, there is a problem of misappropriated applications. In China, interception acts are rampant, such as registering another person's trademark, or filing an application in a class different from an already registered class. Because of this, personal applications are restricted at present. As for other problems, it can be said that there are too many infringements of right, and although the maintenance cost of right is expensive, the bailout to rights infringement does not function. In the present revision, there are measures taken mainly to solve these four problems.

Ms. Kawahara: Among my clients, many companies are having trouble with trademark registration procedures in China. For example, in China, there are no regular notifications of reasons for rejection. Upon receipt of a decision of final rejection in cases where there is a complaint, a trial is instantly started and the term for response is as short as 15 days. As a result, many Japanese companies filing their first trademark application in China are surprised. As for a Chinese attorney, who has to analyze the contents of rejection in a short time and respond with comments through a Japanese agent, after going through adjustments with the Japanese company and approval within the company, the preparation period left for response by both parties is substantially less than 15 days, at only a couple of days in an extreme case. Usually, as notifications of the decision of rejection are dispatched on Friday from the Chinese Trademark Office (CTO), we hear it has become normal for Chinese agents to work overtime on weekends.

Effects of a famous trademark (excellent trademark) are also liable to cause misunderstanding. In Japan, there is a defensive mark system, and once registered, even non-similar goods and services are protected, prohibiting others' use. However, in China, such effects are authorized case by case, and the range of use is limited. Besides, apart from the difference in systems, we often struggle with understanding the Chinese way of thinking about similarity or non-similarity which cannot be guessed by the common knowledge on the side of Japanese companies--though the difference in Chinese characters cannot be helped because it concerns

both countries' culture.



Setting Terms for Examination/Trial Brings Not Only Expectation for Acceleration of Procedures but Also Apprehension of Deterioration.

Mr. FU: I would like to present, in due order, points of major amendments which are thought important.

Firstly, deadlines are stipulated for acceleration of examination/trial which used to take a year and a half on the average until registration. However, on the site, words expressing uneasiness are heard concerning its operation.

Under Article 28 of the new law, the examination period in the Trademark Office is stipulated to be 9 months at the longest. As mentioned above, regarding examinations in the Trademark Office, it was usual to receive a decision of final rejection abruptly without any notification of the reasons for rejection even if there was a deficiency in the contents of an application. However, by the present revision of the law, it was decided to provide an opportunity for the examiner and the applicant to respond. Setting of the opportunity to respond is determined by the examiner, but the time for responding is also included in this term for examination, so that examiners who spare their time may possibly neglect such an opportunity for responding. Furthermore, under Article 34 of the new law, the term for a trial against a decision of final rejection in the Trademark Discussion Committee (TRAB) is stipulated to be 9 months at the longest. Besides, it is stipulated that the term for a trial against decision on opposition is 12 months; that for an invalidation trial against a registered trademark is 9 months (in the case of an invalidation trial by absolute prohibition) and 12 months (in the case of an invalidation trial by relative prohibition); and that for trial against decision on non-use cancellation trial is 9 months, respectively.

In a trial under the current law, each of the demandant and the other party are given three months for supplementing reasons for trial examination and providing documentary evidence; however, if we apply, for example, 9 months which is the new term for invalidation trial, there

remains only 3 month period for the trial period. The 3 month period also includes a mail notice period and time for procedures inside a trademark examination committee, so that a substantial examination period amounts to 1 month. Then, under Article 62 of the "Trademark Regulations (drafts)," the period for supplementing reasons and providing evidence for trial was decided to be 30 days. Although examiners are extremely busy, they cannot help working hard to abide by the examination periods, which will influence their evaluation. In order to meet the deadlines, new examiners are being employed. When respective timelines for supplementing reasons are largely shortened, then dealing with foreign companies as well as Japanese companies will become considerably difficult. According to opinions solicited on these drafts, the period for supplementing reasons, which was shortened to 30 days, caused quite a stir. There were many opinions that the 30-day period for supplementing reasons was too short, especially, from foreign companies, groups, and outside trademark agencies. Recently, I heard that the period for supplementing reasons will be returned to 3 months and will be excluded from the examination period.



Ms. Kawahara: The Madrid Agreement stipulates that a first action will be issued within 18 months, but a country deciding the time limit of the whole examination period like this is rare. When a decision of rejection is received, we usually demand a non-use cancellation trial against cited references, and up to a couple of years ago, they would wait on starting an examination until a trial decision becomes final and binding, as in Japan. However, during a trial run which started last year, many Japanese agents experienced cases where, without the other party's response and even where a mark in question is obviously not used and is just before cancellation, the examination progressed rapidly, and Japanese companies lost a retrial case while citations were alive. Therefore, the agents were afraid that such fears would be amplified due to the setting of the time limit for examinations. Filing a suit would only cause work and cost money, and so, we cannot help but renew an application in the midst of a non-use cancellation trial. In a renewal application, however, the original filing date is not maintained, and it is assumed someone may file an application earlier from the side. Under the new law, however, it is specified by the regulations to suspend a trial examination, so those strong fears on that point have been dispelled. However, because shortening of the term for

examination is compelled forcibly, I hear the degradation of quality of examiners and contents of examination has already been occurring.

--Is the merit of introduction of a multi-class per trademark system small?

Mr. FU: The present revision aims at responding to the international standard and reduction in cost for applicants, and the previous one-class per trademark is moved to a multi-class per trademark system. Here the problem of instability of the examination standard is feared. Conventionally, examiners had to examine only one class, and so, many examiners had strong expertise in those fields. On-site confusion is anticipated in this matter as well as the provision of the term for examination.

Ms. Kawahara: The introduction of multi-class per trademark system tends to be thought to seemingly reduce trouble and cost, but when I asked a local lawyer of my old acquaintance, his view was that it is most likely that filing an application per class from the beginning would result in less cost, and so, the new system is not so useful. As there are no guidelines available, this is only speculative, but the lawyer is positive that, even if the multi-class system is introduced, except where a final decision of rejection is made, a procedure for division will be basically impossible. It is not possible to divide a rejected class and at the same time to demand a retrial on the class. Then, the class having no reason for rejection will be published and registered if no objection arises. In other cases, since it is not possible to divide, it is impossible to transfer only certain classes to a third party. Furthermore, a renewal of only a part in the case of renewal becomes impossible, and so, we should take steps to renew the remaining part after once proceeding to withdraw the application. Besides, so far, under the single-class system, "handling where only a part of designated goods butts against a cited reference" had been approved, but it was too complicated to know what would become of it in cases where only a part of class had a reason for rejection under the multi-class system. We hear that fees are not set to be so reasonable, either.

Mr. FU: In the draft of the law, it is almost determined that the procedure for division cannot be used unless a decision of rejection is issued (Article 24). So, many people criticize that the dividing system is not advantageous to applicants or patentees. As the cost is controlled by a department of the State Council, different from the department having jurisdiction over law revision, it is not known at the present stage what it will become. However, according to an insider, under the multi-class per trademark system, the revenue stamp fee to be paid to the

Trademark Office is likely to be less expensive. Furthermore, only a few domestic trademark agencies have decided their fees at present and are watching the trend of the State Council.

Tightening of Regulations and Expansion of Protection for Countermeasures against Misappropriated Applications

Ms. LV: Next, for the purpose of fair market competition and maintenance of market order, a broad interpretation of the coverage of agents in the current Article 15 and a new provision are added to cope with agents' actions in bad faith such as misappropriated applications. What the existing law intends to regulate is agents'/representatives' acts of misappropriated applications after the establishment of the agent/representative relationship, and if those represented by the agent file an opposition, the registration could be rejected or they could be prohibited from using the application. However, an act of misappropriation is often caused during a deliberation, that is, from its preliminary step where an agent (authorized agent) is authorized as power of attorney from one represented by the agent. In view of such circumstances, according to a broad interpretation by the Supreme People's Court, Article 15 of the existing law was determined to be still effective even if in the deliberation stage. By extending an interpretation of the timeline, the scope of agent would comprise agent, representative, dealer and the like in a process of forming relationships, though it is necessary that they have finally formed an agent/representative relationship. In actual business dealings, a deliberation often fails, resulting in failure of the agent/representative relationship. In the cases in which I was involved, when suffering from an act of misappropriation during deliberation of the agency agreement, I was defeated in all of the first trials of opposition, the trial, and the trial decision cancellation suit. There were evidence such as a record of the email, a written proposal, and photographs of the goods, but it was judged that a formation of agency relationship cannot be recognized from that evidence. Regarding this extended interpretation, there are still disagreements within China and different views depending on judges. Furthermore, under item (2) added this time, if one, besides agents or representatives, who comes to know the existence of another person's trademark through contracts, business connections and the like, and the other person files an opposition, the assertion is approved, the application will be rejected or the registration will become invalid. This additional clause is quoted from the Trademark Law of Taiwan, but in Taiwan, the content of only this item (2) is mentioned.

Ms. Kawahara: In regards to this amendment, it seems that the Paris Convention (Article 6bis) was observed. In Japan, too, even when there is no agent relation, there are many cases

where remedial measures are taken in accordance with circumferential evidences.

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