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New Trends, New Possibilities: A Comment on the Proposed Fifth Amendment to China's Trade Mark Law

In January 2023, the China National Intellectual Property Administration (CNIPA) released the Draft Amendment to the Trade Mark Law of the PRC (Draft for Public Comment), launching the proposed fifth revision of the Trade Mark Law. This revision comes 40 years after the first version of the Trade Mark Law was implemented. Compared with previous amendments, the Draft makes significant changes, representing a new legislative trend in China's trade mark law. This comment gives an overview of the background of the fifth amendment and highlights and comments on the fundamental changes in the Draft Amendment.

I. Introduction

On 13 January 2023, the China National Intellectual Property Administration (CNIPA) released the Draft Amendment to the Trade Mark Law of the PRC (Draft for Public Comment) ('Draft'), which serves as the prologue to a new round of trade mark law revision.¹ As early as September and October 2022, the CNIPA issued Reply Letters, respectively, to proposals and suggestions to accelerate the revision of the Trade Mark Law and Implementing Regulations made by members of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), China's top political advisory body, and deputies of National People's Congress (NPC), the highest organ of state power in China.² The Letters pointed out that the CNIPA was working towards the new revision under the leadership of its superior, the State Administration for Market Regulation (SAMR), China's top market regulator, and revealed the concepts, directions, objectives, and proposals of the revision. The Draft extensively revised the current Trade Mark Law, which echoes the Reply Letters and reflects a significant trend in the fifth amendment of China's Trade Mark Law. This article first introduces the background of the fifth amendment to the Trade Mark Law. Then it highlights the fundamental changes in the Draft according to the released official notes and provides comments. The last section concludes the comment.

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¹ See the official statement, complete draft amendment, and official notes in Chinese at https://www.cnipa.gov.cn/art/2023/1/13/art_75_181410.html accessed 13 March 2023.

² See the two Reply Letters at https://www.cnipa.gov.cn/art/2022/9/9/art_516_178635.html?xxgkhide=1 and https://www.cnipa.gov.cn/art/2022/10/25/art_516_179807.html accessed 13 March 2023.

II. Background of the fifth amendment to the Trade Mark Law

China's Trade Mark Law has been revised four times since it was promulgated in 1982.³ With the deepening of reform and the continuous expansion of the opening-up policy, China began the process of establishing a socialist market economy in 1992, which also prompted the first amendment of the Trade Mark Law in 1993. The third revision of the Trade Mark Law in 2001 was mainly to adapt to the development of the market economy and to meet the needs of joining the World Trade Organization (WTO). After the two amendments, China's legal trade mark system gradually became complete and mature, and the number of trade mark applications increased significantly. Entering the 21st century, the level of internationalization of China's intellectual property laws has been further strengthened. In 2008, with the in-depth development of the knowledge economy and economic globalization, the State Council issued the Outline of the National Intellectual Property Strategy (ONIPS), raising intellectual property as a strategic resource for national development.⁴ Shortly thereafter, in 2009, the State Administration for Industry and Commerce (SAIC), a former agency for the administration of industry and commerce in China, issued Opinions on Implementing the ONIPS and Vigorously Promoting the Implementation of the Trademark Strategy, pointing out tasks like shortening the review period of the trade mark application, streamlining trade mark registration procedures, preventing malicious trade mark applications,⁵ strengthening trade mark protection and banning abuse of trade mark

³ Before 1982, China applied the Trademark Administration Regulations promulgated by the State Council on 10 April 1963.

⁴ http://www.gov.cn/zwqk/2008-06/10/content_1012269.htm accessed 13 March 2023.

⁵ In this comment, malicious trade mark applications have no clear distinction to bad faith applications or filings, which refer to maliciously filing applications for registration of trade marks that others have rights to.

rights.⁶ In 2013, the Trade Mark Law was revised for the third time to better align the role of the trade marks with the national intellectual property strategy.⁷ Since then, trade mark work in China has entered a stage of rapid development.⁸

In 2018, with the government institutional reform, the former SAIC's functions were assumed by the SAMR, and the restructured CNIPA immediately promoted a new amendment of the Trade Mark Law. In 2019, given the urgent and outstanding problems, the Trade Mark Law made individual amendments, especially to combat malicious trade mark applications and strengthen the protection of trade mark rights.⁹ While the fourth amendment made great attempts, there are still many outstanding problems, including malicious applications, malicious lawsuits, trade mark hoarding and insufficient protection of trade mark rights, many of which have troubled China's trade mark system for a long time.¹⁰ In 2021, as China's economy entered a new stage of development, China formulated the Outline for the Building of a Country Strong in Intellectual Property (2021-2035), another milestone document in the field of intellectual property after the ONIPS, to coordinate the building of a country strong in intellectual property and give priority to the critical role of intellectual property. One of the primary targets of the outline is to construct an intellectual property system oriented to socialist modernization. Trade mark law, as the first special law in the intellectual property regime after China's reform and opening-up, is once again entrusted with the mission to serve and help the high-quality development of China's economy.

Under such circumstances, the fifth amendment mainly focuses on the following five aspects: balancing public interests and private rights protection, streamlining the trade mark review and examination process, strengthening the use obligations of trade marks, strengthening the protection of trade mark rights and adapting to the new situation of technological development.

⁶ The development of the trade mark system in China is always accompanied by the cause of China's reform and opening-up policy. See a list of 40 significant trade mark-related events in the 40th anniversary of reform and opening-up issued in 2018 at <<http://ip.people.com.cn/n1/2018/0910/c179663-30283408.html>> accessed 13 March 2023.

⁷ As of the first half of 2013, the cumulative number of trade mark applications and registrations in China was 12.21 million and 8.174 million, respectively. The number of valid registered trade marks has reached 6.808 million, ranking first in the world. See details at <http://www.npc.gov.cn/zgrdw/huiyi/lftz/sbfxczact/2013-09/04/content_1805592.htm> accessed 13 March 2023.

⁸ See Cui Shoudong (崔守东), 'Review and Prospect of the Trade Mark Understanding during the 70 Year after the Founding of the People's Republic of China (新中国七十年商标工作回顾与展望)' [2019] *Intellectual Property* 3-15. The author Cui Shoudong, director general of CNIPA Trade Mark Office, divided China's trade mark work after the reform and opening-up into five stages: (1) recovery stage (1978-1983); (2) new stage (1983-1993); (3) comprehensive development stage (1993-2012); (4) rapid development stage (2013-2017); (5) high-quality development stage (2018-present).

⁹ The fourth amendment aimed to curb malicious trade mark applications and intensify the punishment for trade mark infringement in China.

¹⁰ For example, in 2021, the CNIPA cracked down on 482,000 malicious trade marks in the review stage, of which 60,400 malicious hoarding trade marks were actively rejected, and 1,628 malicious preemptive trade mark registrations that harmed the public interests were collectively rejected. See details at <https://www.cnipa.gov.cn/art/2022/4/25/art_55_175296.html> accessed 13 March 2023.

III. Highlights of the Draft and comments

The Draft expands the current Trade Mark Law to 101 articles in 10 chapters. Among them, 23 new articles are added, 6 new articles are split from the existing articles, 45 are substantially modified, and 27 current articles are maintained. The highlights of the Draft are mainly in the following aspects.

1. Combating malicious trade mark applications

Malicious trade mark registrations have always been the most concerning issue in the field of trade marks, even though the fourth amendment in 2019 has dealt a solid blow to trade mark hoarding. Such behavior seizes public resources and creates an imbalance among trade mark protection, prior rights of others and public interests. To continue combating malicious trade mark applications and registrations, the Draft sets out some key measures, including specifying the situations of malicious filings, increasing the number of fines, establishing a compulsory transfer system, clarifying civil liability for compensation and establishing public interest litigation.

a) Improving the basic requirements for trade mark registrations and expanding the scope of prohibited signs

Article 14 emphasizes that a trade mark application shall not violate public order or morality. Article 15 expands the scope of prohibited signs by adding signs 'identical with or similar to the names and signs of important traditional cultural symbols', 'contrary to core socialist values' and 'excellent Chinese traditional culture'. This is the first time that the term 'public order or morality' has appeared in the trade mark law, which in a certain sense can realize the goal of facilitating a return to civil law, especially given the implementation of the Civil Code in 2021.¹¹ Traditional civil law countries often have similar expressions in the section of absolute grounds for refusal, like 'public policy' and 'accepted principles of morality'.¹² In contrast, more common law counties prefer using specific terms like 'immoral', 'scandalous' and 'disparage'.¹³ Note that Art. 14 is a general provision on the conditions, while Art. 15 is the corresponding provision of absolute

¹¹ As early as the third amendment of China's Trade Mark Law, some scholars pointed out that the revision is in a certain sense meant to further realize the return to civil law, and should implement the spirit of the civil law. See Liu Chuntian (刘春田), 'Principles of Civil Law and Trademark Legislation (民法原则与商标立法)' [2010] *Intellectual Property* 3-10.

¹² For example, Item 2(5), s 8 Absolute grounds for refusal of Germany's Act on the Protection of Trade Marks and other Signs stipulates that trade marks that are contrary to public policy or accepted principles of morality shall not be registered; Item (1)(vii), art 4 of Unregistrable Trademarks of Japan's Trademark Act stipulates that no trade mark may be registered if the trade mark is likely to negatively affect public policy.

¹³ For example, art 2(a) of the Lanham Act (the U.S. Trademark Act) stipulates that a trade mark consisting of or comprising immoral, deceptive, or scandalous matter, or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute, shall be refused registration on the principal register; art 42(a) of Australia's Trade Marks Act 1995 stipulates that an application for the registration of a trade mark must be rejected if the trade mark contains or consists of scandalous matter. As an exception, UK's Trade Marks Act 1994 still uses 'public policy' or 'accepted principles of morality' in Item (3)(a), art 3 Absolute grounds for refusal of registration.

grounds for refusal. The Draft inserts 'public order or morality' into Art. 14 instead of Art. 15. For many years, Item 8, para. 1 of Art. 10 of the current trade mark law has stipulated that a sign 'detrimental to socialist ethics or customs, or having other adverse effects' shall not be used as a trade mark, which has led to many controversial cases for its unclear standards.¹⁴ While the goal is clear enough, such new changes make the legal provisions more localized and further increase the difficulty of application since there will be more room for discretion.

b) Listing the specific circumstances of malicious applications and increasing penalties

Article 22 is newly added to specify the circumstances of malicious applications. Instead of giving a definition, the article lists the following five specific circumstances of malicious applications based on the previous practices: (1) applying with no intent to use or filing applications in bulk; (2) applying using fraudulent or other improper means; (3) applying for registration of a trade mark that is detrimental to the national interest or the public interest or that has other significant adverse effects; (4) applying with the intention to harm the legitimate rights or interests of others, or seek improper benefits; (5) engaging in other bad faith behavior. The Draft then adds the corresponding administrative penalty in the subsequent articles. For violating Art. 22, administrative sanctions such as a warning or a fine up to CNY 50,000 (around EUR 6,755) shall be imposed; where the circumstances are especially serious, a fine of more than CNY 50,000 but less than CNY 250,000 (around EUR 33,773) may be imposed. In particular, where a malicious application infringes Item 3 and Item 4 of Art. 22, the procuratorate shall file a suit, and the other party may sue for its losses, respectively.

Compared with the current articles regarding malicious applications and penalties, both very general, the Draft is more specific and direct.¹⁵ In contrast, the article per se does not clearly define 'malicious application'. Potential problems may accordingly arise, as terms like 'no intent to use', 'in bulk' and 'significant adverse effects' are too blurred to distinguish applications in good faith, such as defensive filings, from malicious applications. Also, there is a risk that the scope of malicious applications will be arbitrarily enlarged, as Item 5 of Art. 22 is an open legal provision. Undoubtedly, malicious applications will be effectively stopped, but bona fide applicants may also face uncertain risks, thus dampening the enthusiasm for future applications.

¹⁴ On this issue, there is much scholarship in China. See Ma Yide (马一德), 'The Application of the Adverse Effect Clause for Trademark Registration (商标注册“不良影响”条款的适用)' [2016] China Legal Science (中国法学) 225-37; Xu Liang (许亮), 'Understanding and Application of the "Adverse Effect" Clause of Trademark Registration: An Analysis Based on the Study of Comparative Law and Interpretation of Law (商标注册“不良影响”条款的理解与适用——基于比较法和法解释学的分析)' [2020] Electronic Intellectual Property 70-80.

¹⁵ In the current Trade Mark Law of PRC, art 4 stipulates that the application for trade mark registration that is malicious and not filed for use shall be refused; para 4 of art 68 also stipulates that administrative penalties and a fine shall be given in the event of any malicious application, and the court shall impose penalties in the case of maliciously lodging a lawsuit.

c) Adding mandatory transfer of malicious preemptive trade mark registrations

Among the numerous proposals, the mandatory transfer of malicious preemptive trade mark registrations has attracted particular attention since the Reply Letters were issued in 2022. According to Arts. 45, 46 and 47 of the Draft, where a registered trade mark violates Art. 18 (well-known trade mark), Art. 19 (preemptive registration by agents or representatives) or Art. 23 (prior rights), the holder of the preceding right may request that the registered trade mark be transferred to their name. If the request is justified and there is no other reason to declare the trade mark invalid, and the transfer will not likely lead to confusion or other adverse effects, the CNIPA shall approve the transfer.

The international law origin of the transfer system may be traced back to Art. 6^{septies} of the Paris Convention for the Protection of Industrial Property Rights.¹⁶ The article does not impose the compulsory transfer obligation on the member states but endows the member states with the right of independent choice. Before the Draft, such a system could be found in the European Union Trade Mark Regulation (EUTMR),¹⁷ the Act on the Protection of Trade Marks and other Signs¹⁸ and the Trade Marks Act 1994.¹⁹ The transfer system stipulated here is not limited to preemptive registrations by agents and representatives, but theoretically can be applied to a broader scope. By skipping the examination and objection procedures for refiling, the proprietor will likely obtain the trade mark directly and quickly, which will be more effective. Similar practices and principles can also be found in the proceedings of domain name disputes.²⁰ If the transfer is likely to cause confusion or other adverse effects, a decision declaring the trade mark invalid shall be issued. This restrictive condition aims to protect the public interest and avoid invisibly expanding the rights and interests of the proprietor.

2. Banning abuse of trade mark rights

The abuse of intellectual property rights is a topic that has been paid more and more attention by academics and practitioners in China in recent years.²¹ China's intellectual property laws and Anti-Monopoly Law do not

¹⁶ See art 6^{septies}, Marks: Registration in the Name of the Agent or Representative of the Proprietor Without the Latter's Authorization.

¹⁷ See art 21, Transfer of a trade mark registered in the name of an agent.

¹⁸ See s 17, Rights against agents or representatives.

¹⁹ See art 60, Acts of agent or representative: art 6^{septies}.

²⁰ According to the Uniform Domain Name Dispute Resolution Policy (UDRP Policy), which has been adopted by all ICANN-accredited registrars, in the administrative proceeding, the complainant must prove that each of the three following elements is present: (1) the domain name is identical or confusingly similar to a trade mark or service mark in which the complainant has rights; (2) the domain name holder has no rights or legitimate interests in respect of the domain name; (3) the domain name has been registered and is being used in bad faith. If the complaint is upheld, the registrar will cancel, transfer or otherwise change domain name registrations.

²¹ See Yi Jiming (易继明), 'The Application of the Principle of the Prohibition of Abuse of Rights in the Field of Intellectual Property (禁止权利滥用原则在知识产权领域中的适用)' [2013] China Legal Science 39-52; Jiang Nan (姜南), 'Identification and Legal Regulation for Trademark Malicious Lawsuits (商标恶意诉讼的认定与法律规制)' [2021] Journal of Jiangxi University of Finance and Economics 125-34.

stipulate the definition of abuse of intellectual property rights.²² Many scholars also have different views on the definition. The author believes that as long as the right holder of intellectual property rights exceeds the scope permitted by the law or the legitimate limit when enforcing its rights, which leads to improper use of rights and damages the interests of others and the public interest, it can be considered abuse. Based on whether it excludes or limits competition, the abuse of intellectual property rights can be divided into two types. One is an act that constitutes an infringement of the legitimate rights and interests of others. The other is an act that constitutes exclusion or limitation of competition according to the anti-monopoly law.²³ In practice, many cases of abuse of trade mark rights stem from trade mark squatting, which violates the principle of good faith during the registration process. According to the principle prohibiting abuse of rights in civil law, such acts of abuse of trade mark rights shall be banned.

a) Adding the principle of prohibiting the abuse of rights and expanding the scope of fair use

In Art. 9, a general provision states that trade mark owners shall not abuse trade mark rights to the detriment of national interests, public interests or the legitimate rights and interests of others. Article 62 clarifies the circumstances of the fair use of trade marks, including the use of one's name and address in good faith, the use of names, terms or symbols to describe the characteristics of goods, and the indicative use of trade marks.

Prohibiting the abuse of rights is also one of the basic principles of civil law.²⁴ Incorporating the principle into the general provisions of the Trade Mark Law has established one of the core goals of the amendment, that is, to better reflect the balance between private rights and public interests. If the scope of trade mark rights protection is enlarged, bona fide use will be hindered. To a reasonable extent, limiting the boundary of trade mark rights can help create a fair market competition order, especially in the internet environment, where descriptive and indicative use of trade marks increases. The new changes highlight the principle and fair use. To prevent abuse of the clause for indicative use, situations that mislead the public cannot be considered fair use.

b) Adding three new circumstances of cancellation

Article 49 gives three new circumstances under which cancellation of trade marks can be filed, including where the use of a trade mark confuses the relevant public as to features of the goods, where the registrant of a collective trade mark or certification trade mark violates Art. 63

²² According to art 68 of the Anti-Monopoly Law of the PRC, the Law shall not apply to the exercise of intellectual property rights pursuant to the laws and administrative regulations related to intellectual property rights; however, where a business operator abuses his or her intellectual property rights to exclude or limit competition, this Law shall apply.

²³ See Feng Xiaoqing (冯晓青), 'Justification of the Exercise of Intellectual Property Rights: Intellectual Property Rights Misuse and Its Regulation' (知识产权行使的正当性考量: 知识产权滥用及其规制研究) [2022] Intellectual Property 9.

²⁴ Art 132 of the Civil Code of the PRC stipulates that no person of the civil law shall abuse his civil-law rights and harm the interests of the state, the public interests or the lawful rights and interests of others.

(Duties of the registrant of collective or certification trade mark) and the circumstances are especially serious and where use of a trade mark seriously harms public interests and causes significant adverse effects. For the latter two events, the CNIPA may cancel the trade mark *ex officio*, which expands its regulatory scope and obligations.

Based on retaining the cancellation against non-use for three consecutive years and becoming a generic name, three more circumstances are added, making a registered trade mark more vulnerable to attack. To avoid applications for cancellation in bad faith, para. 1 of this article also clarifies that applying for cancellation shall not damage the legitimate interests and rights of trade mark registrants or disrupt trade mark management, which raises the threshold for use.²⁵ However, the Draft does not specify how to coordinate the newly added procedures with invalidation procedures because, in the case of causing 'confusion' or 'significant adverse effects', the current law and the Draft have already stipulated that the trade marks can be invalidated on absolute grounds.

c) Adding counterclaim for malicious trade mark lawsuits

As another highlight of the amendment, which has drawn particular attention, a counterclaim for malicious trade mark lawsuits is added in the Draft. Article 84 stipulates that a malicious lawsuit that causes damage to others shall be liable for damages, and the number of damages shall at least include the reasonable expenses paid by the other party to respond to the lawsuit. The article also maintains that the court can penalize malicious trade mark lawsuits.

The counterclaim, discussed during the third amendment of the Patent Law of PRC in 2006,²⁶ is a direct response to malicious trade mark lawsuits. The claimer usually invested a lot of costs and time in the previous lawsuit and may also suffer damage to its social image and reputation. Now, the counterclaim provides a direct remedy for the claimer. The general provision that the court can impose penalties was added to the fourth amendment in 2019 but had no strong deterrent and binding force.²⁷ Although the Draft retains this part, it clarifies the compensation and the specific scope. In theory, it can restrict malicious trade mark lawsuits to a greater extent and encourage the parties suffering from malicious lawsuits to safeguard their rights actively.

There have been some typical judgments against malicious trade mark lawsuits in judicial practice. In the guiding case No. 82 – *Wang Suiyong v. Shenzhen Ellassay Fashion Co., Ltd.* and *Hangzhou Yintai Shiji Store Co., Ltd.*, the Supreme People's Court ruled for the first time

²⁵ An interesting Q&A is recorded on the official website of the CNIPA. A trade mark registrant said he had used the trade mark normally after registration but still received a cancellation notice. As dealing with the cancellation takes time and cost, he questioned that the Trademark Office's review is too loose, increasing enterprises' risk and burden. The CNIPA did not give a clear answer to this question. Possibly, the new changes in the Draft here can serve as a response to similar questions. See details at <<http://jlhd.cnipr.com.cn:20818/jact/front/mailpubdetail.do?transactId=355153&sysid=13>> accessed 13 March 2023.

²⁶ See the Main Suggestions of the State Intellectual Property Administration on the Third Amendment of the Patent Law at <https://www.cnipa.gov.cn/art/2006/12/28/art_66_28394.html> accessed 13 March 2023.

²⁷ See n 15.

that the infringement lawsuit brought by the plaintiff against the defendant's legitimate use with the trade mark right obtained in bad faith constituted an abuse of rights, and the claims should not be supported by the law.²⁸ In the retrial of disputes over the infringement of trade mark rights among Uniqlo Trading Co., Ltd., Guangzhou Compass Exhibition Service Co., Ltd. and Guangzhou Zhongwei Enterprise Management Consulting Services Co., Ltd., which was one of the Top 10 Intellectual Property Cases of Chinese Courts in 2018, the Supreme People's Court clearly expressed that malicious registration and use of trade mark rights to seek illegitimate interests are not protected by law.²⁹ After the counterclaim is incorporated into the law, the trend of judicial adjudication may have new changes, which is more conducive to the proprietors fighting back and safeguarding their rights.

Currently, in China, some typical lawsuits for damage liability and unfair competition caused by malicious lawsuits have already assumed the counterclaim role and successfully obtained court support for compensation. In the dispute over liability for damage caused by malicious trade mark lawsuits between Shandong Bittel Intelligent Technology Co., Ltd ('Bittel') and Jiangsu Zhongxun Digital Electronics Co., Ltd. ('Zhongxun'), the courts of first and second instance determined that Bittel's launching of the previous trade mark infringement proceedings³⁰ was a malicious lawsuit, and accordingly decided that Bittel should compensate Zhongxun for its economic losses and reasonable expenses of CNY 1 million (around EUR 136,676).³¹ The Supreme People's Court upheld this judgment.³² In the recent second-instance case of unfair competition involving the 'TELARGRA' trade mark, the Beijing Intellectual Property Court revoked the first-instance decision,³³ affirming that the squatter registered the trade mark by improper means and then used it as a basis to file complaints against the products of the owner of the prior rights, a strategy which constituted unfair competition.³⁴ A total of CNY 202,000 (around EUR 27,648) was ordered to compensate the owner of the prior right for economic losses and reasonable expenses. The Supreme People's Court rejected the retrial application of the squatter.³⁵ The current trend suggests that, in the future, the prior right owner will have more choices to fight against malicious lawsuits. The scope of counterclaims may refer to general trade mark infringement and unfair competition cases, covering direct losses and possibly expected losses due to malicious lawsuits.

²⁸ Supreme People's Court, (2014) Min Ti Zi No 24 (Guiding Case No 82).

²⁹ Supreme People's Court, (2018) Zui Gao Fa Min Zai No 396.

³⁰ Wuxi Intermediate People's Court, (2009) Xi Zhi Min Chu Zi No 57.

³¹ Wuxi Intermediate People's Court, (2016) Su 02 Min Chu No 71; Jiangsu High People's Court, (2017) Su Min Zhong No 1874.

³² Supreme People's Court, (2019) Zui Gao Fa Min Shen No 366.

³³ Beijing Xicheng District People's Court, (2020) Jing 0102 Min Chu No 10064.

³⁴ Beijing Intellectual Property Court, (2021) Jing 73 Min Zhong No 2185.

³⁵ Supreme People's Court, (2022) Jing Min Shen No 4497.

3. Streamlining trade mark review and examination procedure

a) Reducing opposition period and abolishing review of oppositions

Article 36 stipulates that a party can object within two months from the date of the preliminary examination announcement of a trade mark application, which shortens the current opposition period from three months to two. Article 39 provides that the only remedy for the opposed party disagreeing with a rejection of the trade mark application is to bring a lawsuit to the court instead of applying for a second review as a first step before filing the lawsuit.

The three months to raise opposition have been applied since the first version of the Trade Mark Law. As for review of oppositions, before the third amendment of the Trade Mark Law in 2014, any party disagreeing with a rejection was allowed to apply for review before the Trademark Review and Adjudication Board (TRAB). The third amendment abolished the opponent's right to a review, and since then an opponent disagreeing with the decision can only request the TRAB for invalidation. Now, the Draft also cancels the review procedure prompted by the opposed party. The changes are aimed at further speeding up the trade mark registration process, reducing costs and improving the efficiency of dispute resolution. A potential practice is that since the price of a lawsuit is higher than that of a review proceeding, some trade mark squatters may reconsider the decision to bring a lawsuit against the rejection of their trade mark applications.

b) Suspension of procedure and principle of change of circumstances

In Art. 42, the suspension of procedure currently only applicable to review is extended to the entire trade mark examination proceeding. It also adds a provision that the court shall not apply the principle of change of circumstances to the review of refused trade marks, decisions on denial of registration, and invalidations. Any hearing shall be subject to the factual state at the time the appealed decision or ruling is made, and changes in the status of the relevant trade marks after a decision or judgment is made shall not affect the trial of the decision or ruling, except when the principle of fairness is violated.

This change has caused many controversies. The original intention of the newly added revision may be to consider the order of trade mark applications and related public interests and to maintain the authority of the CNIPA ruling. In practice, the change of circumstances has been applied in the trade mark review and examination procedures for a long time. The new provision could significantly impact the current proceedings, and the strategies currently used may need to be adjusted accordingly. A direct result is that situations proactively created or promoted by a party are no longer recognized, such as when the cited trade mark is canceled or invalidated, the cited trade mark is not approved by the judgment or the owner of the cited trade mark issues a coexistence agreement or transfers the trade mark.

c) Prohibiting repeated filing

As a critical move to combat malicious applications, several provisions prohibit the contents of repeated filings. Paragraph 2 of Art. 14 generally stipulates that an applicant shall register only one identical trade mark covering the same goods or services. Article 21 states that a trade mark that is applied for shall not be identical to the applicant's previous applications, registered trade marks or trade marks that have been revoked, canceled or declared invalid within the prior year for the same kind of goods, providing six exceptions for repeated filing. The exceptions include filing of the trade marks with minor modifications due to business needs; the mark being canceled for reasons of not being renewed on time, not submitting use statements on time or not providing evidence of use in response to non-use cancellation due to reasons not attributable to the applicants; the mark being invalid due to conflicts with prior rights but the rights no longer exist; and other legitimate reasons.

For many years, especially recently, repeated filings have disrupted the order of China's trade mark registration and management. They not only evade legal responsibility and increase the difficulty of rights protection for prior rights owners but also consume the limited resources for trade mark review and examination procedures.³⁶ The revision refers to the property law and the provisions of the Patent Law on the repeated grant,³⁷ emphasizing the value orientation of 'one mark, one right', which means only one item of a trade mark right can be approved for the same mark. This article is intended to crack down on malicious registrations or evasion of the use obligation. Still, it may cause problems for many enterprises and increase the uncertainty and risk of trade mark applications, even if they file applications only for defense.

4. Underlining trade mark use obligation

The addition of use requirements has attracted much attention during the fifth amendment. Article 5 stipulates that an applicant can apply to obtain the exclusive right to a trade mark that it uses or promises to use on its goods or services, adding the wording 'promise to use'. A use obligation is added in Art. 61 by stipulating that a trade mark registrant shall state that the trade mark is in use on the approved goods or provide justifiable reasons for non-use within 12 months after every five years from the date of approval. According to the article, if the registrant fails to do so, a six-month grace period will be given, and the trade mark shall be deemed abandoned and canceled if the CNIPA still receives no statement. The CNIPA shall conduct random checks to confirm the authenticity of such statements and, if necessary, may request additional

relevant evidence or entrust a local agency to verify the authenticity of such evidence. As a means of punishment, the CNIPA shall cancel the registered trade mark if a statement is untrue.

As the official note to the Draft states, the provision aims to guide the trend of trade mark registration back to the concept of registration for use, clean up 'zombie' trade marks,³⁸ release trade mark resources and allow entities that need to establish their brands to obtain trade mark registration and protection. Compared with the submission of use evidence in cancellation cases, the provision in question gives the registrant the spontaneous burden of proof and urges the registrant to use the trade mark. The article refers to US trade mark law and other laws. For example, Sec. 1(b) of the Lanham Act stipulates the application for bona fide intention to use the trade mark, which requires a verified statement to indicate that the applicant has a bona fide intention to use the mark. Article 8 of the Lanham Act stipulates the period and requirements for submitting affidavits after registration.³⁹ However, the affidavit mentioned above differs from the use statement in the Draft. How to prepare the statement needs to be clarified, which may affect how the new provision is implemented. A complex style will undoubtedly increase the burden of the registrants, while a more accessible style seems to complicate efforts to achieve the expected goals. If the number of trade marks of enterprises is enormous, especially those of defensive trade marks, they will need to invest more energy in preparing evidence.

In addition to the use statement, new provisions also aim to improve the concept of trade mark use and clarify the legal responsibility for changing registered trade marks. Article 59 states that the use of trade marks also refers to trade marks on places offering services or service-related carriers. It stipulates that the forms of use include those carried out through information networks such as the internet. Article 64 specifies the responsibilities for making alterations of the registered trade marks without authorization.

5. Strengthening trade mark protection

Article 72 adds a new trade mark infringement action, which refers to using a trade mark in e-commerce that is identical with or similar to the registered trade mark on the same kind of or similar goods and is likely to mislead the public. This new provision is a response to the rapid development of the internet and e-commerce in China.⁴⁰ The current provisions have already been applied to dealing with online infringements. Although the positive impact of adding this provision is evident, it does not differ significantly from the existing provisions on trade mark infringement.

³⁶ The number of trade mark applications in China has ranked first worldwide for many years. As of the end of June 2022, China's valid registered trade marks exceed 40 million. See the numbers at <http://www.gov.cn/xinwen/2022-07/12/content_5700695.htm> accessed 13 March 2023. Repeated applications and malicious applications for no purpose of use continue to occupy limited trade mark resources.

³⁷ The principle of prohibiting repeated grants is a common principle in the patent laws of various countries; that is, for the same invention and creation, only one patent right can be granted; art 9 of the Patent Law of the PRC stipulates that only one patent can be granted for the same invention and creation.

³⁸ Here, 'zombie' trade marks refer to trademarks that have not been used for a long time after registration without proper reasons.

³⁹ See art 8 of the Lanham Act for duration, affidavits and fees.

⁴⁰ China is the world's largest online retail market. In 2021, e-commerce transaction volume reached CNY 42.3 trillion (EUR 5.78 trillion), and online retail sales reached CNY 13.09 trillion (USD 1.79 trillion). See details in China's E-commerce Report 2021 at <<http://images.mofcom.gov.cn/dzsws/202211/20221118180137127.pdf>> accessed 13 March 2023.

Article 76 gives stronger powers to administrative organs (Administration of Market Regulation at different levels) for handling trade mark infringement issues. The article refines and adds more enforcement details, like requesting statements or information related to the party concerned, checking the bank accounts and electronic data and recording and preserving evidence in advance. As one of the critical modes of China's dual track of intellectual property protection, administrative protection plays an irreplaceable role. Some of the details mentioned here have already been applied in administrative proceedings. Still, details like checking bank accounts will undoubtedly endow administrative agencies with greater powers and increase the deterrent effect.

Article 78 adds public interest litigation of trade mark infringement. According to the article, if the trade mark infringement harms national or social public interests, and neither the right owner nor the administrative authority deals with the infringement, the procuratorial organ may file a lawsuit against the infringement. In trade mark infringement lawsuits, the legal responsibility is mainly from the perspective of punishing the infringer and compensating the right owner. Even punitive damages are often insufficient to pay for the damage to the public interest. The newly added public interest litigation can be a backstop to stop infringement, increase deterrence and help protect the public interest.

For well-known trade mark protection, the Draft stipulates the protection principle and adds more factors for confirming the well-known status of a trade mark. Generally, the protection of well-known trade marks follows the principles of case-by-case examination, passive protection and confirmation upon application. The newly added factors include manners and geographical scope where the trade mark has been constantly used, the status of the trade mark's domestic and foreign applications and registrations, the record of protection, especially protection as a well-known trade mark, and the value of the trade mark. The newly added factors will positively impact the confirmation of well-known trade marks since the actual well-known status of a trade mark can be better examined through more factors. One questionable aspect is that the value of a trade mark as a factor is quite vague, especially when considering the difficulty of intellectual property evaluation. Enterprises may try to prove the value by presenting their market investment and the popularity of trade marks, but these factors may have already been included in other aspects.

6. Reforming the structure of the Trade Mark Law

The Draft disassembles the general provisions of the current Trade Mark Law, which includes the first 21 articles, reduces the general provisions to only 13 articles and puts the remaining articles into a new Chapter 2 for conditions of trade mark registration. Chapter 9 is newly added to promote the brand-building strategy of the government, which echoes the brand-building mentioned in Art. 1 of the general provisions.

In Art. 1, the purpose of Trade Mark Law is updated and clarified. For a long time, due to the previously

planned economic system in China and the concept of private rights, the Trade Mark Law has always emphasized the positioning of trade mark management. Although the purpose of trade mark management has yet to be removed, the Draft adjusts the rank of all purposes. It puts the protection of legitimate rights and interests of trade mark owners in the first place, which undoubtedly strengthens the status of trade marks as civil rights. Article 1 also mentions improving brand building, detailed in Chapter 9. As a newly added chapter, Chapter 9 emphasizes the implementation of brand-building strategies, a critical policy for the government, and encourages all parties from various levels to actively promote brand building.

To sum up, Chapter 9 mentions brand strategy and public services, government responsibilities, brand-building measures, regional brand building, intelligent construction of the trade mark industry, trade mark information sharing and information disclosure. From the perspective of trade mark work deployment, Chapter 9 is clear enough to promote the development of a high-quality market economy, but it seems to deviate from the legislative norms. As an economic concept, the brand should not take up a large amount of space in the trade mark law, and there is also a suspicion of confusion with the idea of the trade mark. In addition, brand strategy and encouraging all parties to promote brand building are not normative legal language. This part will likely be deleted or re-integrated in the subsequent revision process to clarify the law and policy boundary.

Notably, the protection of public interests and the avoidance of adverse effects are implemented throughout the Draft. In summary, the term 'public interest' appears six times, specifically in Art. 1 (legislative purpose), Art. 9 (principle of good faith and prohibition of abuse of rights), Art. 22 (malicious registration), Art. 49 (cancellation of trade mark registration), Art. 78 (public interest litigation for trade mark infringement) and Art. 83 (civil compensation for malicious preemption), while it appears zero times in the current Trade Mark Law. Also, the term 'adverse effects' appears nine times, specifically in Art. 15 (prohibited marks), Art. 22 (malicious application), Art. 27 (requirements for application), Art. 46 (handling of trade mark transfer), Art. 49 (cancellation of trade mark registration), Art. 56 (trade mark transfer), Art. 63 (obligations of registrants of collective trade marks and certification trade marks) and Art. 83 (civil compensation for malicious preemption), but only two times in the current Trade Mark Law.⁴¹ These changes demonstrate one of the amendment's goals, that is, to balance protecting private rights with the public interest. However, this undoubtedly increases the uncertainty of applying the law because it is difficult to clearly define the adverse effects in practice.

IV. Conclusion

After a four-year preparation, the first Draft of the fifth amendment of the Trade Mark Law has finally come out. The official deadline of 27 February 2023 for public

⁴¹ Item 8, para 1 of art 10 stipulates that signs detrimental to socialist morals or customs or having other adverse influences shall not be used as trade marks; para 3 of art 42 stipulates that the Trademark Office shall not approve the assignment of registered trade marks that may easily lead to confusion or other adverse effects.

comments on this Exposure Draft has also ended, and during this period, much discussion and controversy arose. Through the Draft, it is easy to see the determination of the intellectual property administrative authority to make drastic changes to the trade mark law. It has been 40 years since the implementation of China's Trade Mark Law. In the past 40 years, the development of the market economy has promoted a change in the legal concept of trade marks, making it gradually return to the essence of trade mark protection.⁴² The Draft attempts to create an effective balance between registration and use under the system of first filing and tries to deeply adapt to the development of the times and reflect policy goals in the legal provisions. It also aims to build local characteristics and

benefit more entities while facing the future and connecting with international intellectual property law. The Draft will be further revised, but as the first step in the fifth amendment of the Trade Mark Law, it fully reflects the new trend in China's trade mark legal system, which will also bring new possibilities.

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⁴² See Li Chen (李琛), 'A Brief History of China's Ideas on Trade Mark Law in Past Forty Years (中国商标法制四十年观念史述略)' [2018] *Intellectual Property* 57-58.