

Pursuing Trademark Reform in China: Who Will Benefit—and Are the Proposed Changes Enough?

By Nadine Farid Johnson

A Brief History of Revisions to the Trademark Law

The Trademark Law of the People's Republic of China (PRC) was enacted in 1982 and amended in both 1993 and 2001.¹ The changes in those two revisions involved, *inter alia*, expanded ownership rights in 1993² and, in the 2001 amendment, an effort to adjust the law to comply with the Agreement on Trade-Related Aspects of Intellectual Property ("TRIPS" or "TRIPS Agreement")³ by incorporating changes including geographical indications and juridical review.⁴

The considerable undertaking to again revamp the Trademark Law in China began in 2003, under the auspices of the State Administration of Industry and Commerce (SAIC) and the Legislative Affairs Office of the State Council (State Council).⁵ The new amendment process, despite coming on the heels of the 2001 revision, was seen as necessary in part due to the extensive growth of the Chinese economy.⁶

A number of factors related to that growth indicated that a revamping of the system for both improved system practicality and enhanced attention to and protection of trademarks was necessary. The sheer number of trademark applications presents a telling example. The number of trademark applications in China rose from 170,000 in 1993 to over 350,000 in 2002.⁷ According to statistics from the PRC's Information Office of the State Council, trademark filings between 2000 and 2004 exceeded by some 256,000 those in the twenty years prior (1980–1999 inclusive).⁸ By 2005, filings totaled 664,000;⁹ comparatively, in 2006, applications before the U.S. Patent and Trademark Office totaled 354,775.¹⁰ The rise in numbers continues; despite some decline in 2009 applications,¹¹ a recent WIPO report indicated that China largely has been unaffected by the worldwide decline in patent and trademark applications that accompanied the global economic downturn.¹²

The great growth of the market economy in the PRC meant that the system put in place became strained; the cumbersome nature of the trademark registration process prohibited efficient results and protection for rights seekers, and the complexity of the confirmation process delayed registrations.¹³ For those who had succeeded in registering their marks, the specter of *mala fide* registrations, transfers, and oppositions lingered.¹⁴ Bad faith actions on the part of would-be infringers, competitors, and the like were not sufficiently addressed in the earlier incarnations of the Trademark Law. The system was further destabilized by weak measures of protection and a lack of strong, clear procedures for rights enforcement.¹⁵

Thus, the 1993 and 2001 amendments to the Trademark Law were welcomed improvements, which aided to some extent in infusing the law with international standards by incorporating additions such as those mentioned above and by adding protections for well-known marks and service marks.¹⁶

The amendments did not serve, however, to bring the law, as written or executed, "up to the international level"¹⁷ as much as necessary.

Perhaps especially mindful of the need to better conform the Trademark Law to international standards, the State Council has, to its considerable credit, conducted the latest amendment process on a global scale, seeking the input of the international community. The State Council has solicited and gathered the input of field experts, scholars, and interested parties of relevance in China and in other markets, in anticipation that the Chinese Trademark Office will consider those views in amending the Trademark Law. A number of organizations, firms, and groups commented on the law,¹⁸ including the American Bar Association.¹⁹

The Proposed Trademark Law

Thus, the Proposed Trademark Law of March 2010 was the product of a multiyear, deliberate undertaking. The Proposed Law proffers revisions in a number of areas. These revisions are loosely grouped and discussed below.²⁰

Scope of Protection

In this category, the Proposed Trademark Law incorporates a number of provisions, both expanding and limiting the types of acceptable marks. Among these are the *Concept of Trademark*,²¹ permitting registration for a range of visual, aural, and scented marks; the *Distinctive Feature and Good Faith Principle*,²² requiring distinctiveness for registered marks and prohibiting conflict with marks previously accorded rights; a provision on *Prohibited Signs*,²³ limiting the registration of marks that match or resemble official names, symbols, emblems, or the like of the PRC, of other state governments without consent, or of intergovernmental international organizations, and prohibiting misleading, discriminatory, or deceitful marks; and two provisions on *Well-Known Trademarks*,²⁴ the first offering protection without registration and the second delineating factors for consideration in determining the well-known categorization.

Administrative Issues

The Proposed Trademark Law offers a few administrative provisions concerning applicants and applications. First is the provision on *Entrusted Agency*,²⁵ requiring foreign applicants to utilize a Chinese agency. Also included is a provision on *Accepting One Application for Different Classes*,²⁶ providing the possibility for multiple classes of commodities in a single application. To address situations in which a mistake has been made in an application, the Proposed Trademark Law offers a *Procedure for Correcting Mistakes*,²⁷ permitting amendment of an application for such a correction.

Licensing and Assignments

The Proposed Trademark Law includes provisions to handle situations in which changes to trademark information, ownership, and use permissions are made. Changes to information such as applicant name and address may be handled via the protocol in the *Registration Adjustments* provision,²⁸ which gives a designated period for making such changes. Notification of assignments and licensing is covered with two provisions: *Assignments*,²⁹ providing parameters for adjustments in ownership, and *Trademark Licensing and Recordal*,³⁰ providing parameters and procedures for noting permissions in use and requiring licensors to record the agreement.

Bad Faith and Illegal Acts

The issue of bad faith in the application for registration of a mark is addressed not only in the *Distinctive Feature and Good Faith Principle*,³¹ which obliges trademarks to be applied for and used in good faith, but also in the provision *Preventing Registration in Bad Faith*,³² which lists conditions for bad faith.

With respect to illegal acts, parties engaged in the unauthorized assignment of a mark, or the unauthorized alteration of a mark or its applicant information, face repercussions under the provision regarding *Trademark-related Illegal Behavior*.³³ This provision also indicates that a mark that has become generic will have its registration revoked.

Remedies and Investigations

Efforts to address particular areas of concern for trademark holders are found in provisions for remedies and investigations. *Remedies in Infringement Disputes*³⁴ lays out a protocol of negotiation, investigation, punishment, and proceedings in criminal court when warranted. The provision *Investigations*³⁵ delineates authority of the administrative bodies to inquire into alleged illegal acts such as unauthorized use of a mark and acts of infringement. Financial remedies are laid out in *Civil Compensation*,³⁶ which authorizes remuneration in the case of infringement. Where the time period covering the time of infringement and/or the amount of losses are indeterminable, the provision specifically allows up to ¥1,000,000 (approximately \$150,000)³⁷ in damages.

Beneficiaries, Benefits, and Deficiencies of the Proposed Trademark Law

Potential beneficiaries of the Proposed Trademark Law certainly include Chinese and foreign businesses with a volume of activity and engagement in the Chinese economy. Stakeholders and perceived beneficiaries also include foreign governments that view a strong system of IP protection and enforcement as a necessity for any state hoping to fully engage in the global economy.

Another stakeholder is, arguably, the government of the PRC itself. The PRC has faced and continues to face a reputation for poor enforcement of intellectual property rights, including the rights of trademark holders.³⁸ The 2010 U.S. Trade Representative's Special 301 Report kept the PRC among the states on its Priority Watch List, placing the PRC

at the top of the list.³⁹ China is sure to remain a source of concern in terms of IP protection if reforms are not implemented. While trademark reforms alone will not serve to abate that concern, the effort is certain to be viewed favorably.

In terms of the private sector, as noted, the SAIC has opened up its trademark legislation amending process to input from interested outsiders. Many a foreign trademark holder has attempted to influence that process.⁴⁰ The SAIC and the Chinese Trademark Office have no obligation to heed the advice and stated desires of those interested parties; nevertheless, an effort to do so will not only likely prove helpful to foreign enterprises seeking trademark protection, but also will temper skepticism toward the PRC's trademark regime.

The potential benefits of and deficiencies in the law to these various stakeholders in its passage should, therefore, be considered.

Scope of Protection

Generally, the scope of protection offered in the *Concept of Trademark* and distinctiveness provisions is good news for would-be trademark holders. Expanding protection to include marks comprised of sounds and smells, as well as including a definite requirement of distinctiveness, allows for a broad range of protection, strong marks, and international parity.

Government entities, particularly those in China, will benefit from the expansive language of the *Prohibited Signs* provision. This may be at the expense of would-be trademark holders who would be precluded from registering a host of marks found to fall into the "similar" category, however,⁴¹ and the prohibitive nature of the article is unlikely to garner a warm reception.

The provisions for *Well-Known Trademarks* generally comport with the TRIPS Agreement, and the specific protection of well-known marks without registration is an important benefit to stakeholders. The difficulty with these provisions may be in their execution. First, one provision maintains language that prohibits registration of marks shown to mislead the public;⁴² in not taking other considerations, such as unfair competition, into account, the provision may be ineffective in offering protection to trademark owners.⁴³ Further, language in the other well-known trademarks provision indicates that whether a mark is well-known is evaluated in terms of being so in China. This is troublesome in terms of both international standards and the rights of would-be trademark holders. The international trend recognizes that a mark may be well-known

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globally without being so known in a particular state; it also acknowledges that a “spillover effect” may develop as awareness grows.⁴⁴ Assessment in terms of being well-known in the PRC alone also might serve as a disadvantage to foreign applicants who, after waiting for some time to apply for a mark (whether to bring it more recognition or for another reason), realize that the mark has already been applied for by a Chinese national—and face, potentially, accusations of a bad faith filing.⁴⁵ Despite some changes, then, these provisions may continue to frustrate foreign stakeholders while providing an undue advantage to national applicants.

Administrative Issues

The administrative provisions of the Proposed Trademark Law offer further progress toward international parity for the most part. For example, the provision on *Accepting One Application for Different Classes* will assist in aligning the PRC system “with most national systems [as well as with] the international and Community trademark regimes.”⁴⁶ The new procedure should streamline the application process and associated costs, benefiting national and foreign applicants.⁴⁷ Similarly, permitting a *Procedure for Correcting Mistakes* is commendable, although language prohibiting but not defining “substantive” content changes may lead to arbitrary rejections of amendment requests.

The article on *Entrusted Agency*, however, highlights what may be seen as an ongoing issue with the Proposed Trademark Law, namely, that certain provisions give an advantage to Chinese national applicants or rights holders, thereby bucking the international trend to avoid such disparate treatment. Here, the issue is the required use, by foreign applicants, of a domestic representative when seeking trademark protection. A representative may be helpful to some foreign citizens or enterprises but will be viewed as unnecessary by others—and a requirement for such a representative will comprise another cost to foreign applicants.⁴⁸

Licensing and Assignments

The licensing and assignment provisions offer somewhat of a mixed bag for would-be trademark holders and other stakeholders. For example, encouraging licensing and recordation is welcomed, as that contributes to the rights of trademark holders and allows for a healthy environment for rights holders. Further, requiring a licensor to record the license serves to grant *locus standi* to the licensee.⁴⁹ The insistence that the Chinese Trademark Office oversee all such licenses raises concerns, however. Requiring recordation responsibilities of an already extraordinarily active entity will not only likely burden that entity, but also delay or even limit commercial activity.⁵⁰

The *Assignments* provision also seems to place unnecessary burdens on commercial activity. While the openness to assignments is to be commended, the article’s requirement that a trademark holder assign “all his identical or similar trademarks that are used on identical or similar goods” impinges upon assignors’ freedom to determine what is most commercially beneficial for them.

Bad Faith and Illegal Acts

The provisions of *Distinctive Feature and Good Faith Principle* and *Preventing Registration in Bad Faith* confront a problem for trademark holders in China—the lack of any bad faith–based challenge to infringers. Addressing this concern creates a benefit for national and foreign applicants and indicates progress toward international parity by the PRC on this issue. The provisions do leave room for enhancement, however, in that it is unclear as to what constitutes “good faith” (in *Distinctive Feature and Good Faith Principle*) and what, if any, unstated acts or conditions would amount to “bad faith” (in *Preventing Registration in Bad Faith*).⁵¹

In terms of the provision on *Trademark-related Illegal Behavior*, the language concerning a mark becoming generic leaves open the question of at what point that will be deemed to have occurred.⁵² This may lead to uneven application, which disadvantages trademark holders.

Remedies and Investigations

International bodies, other states, and trademark applicants and registrants often express concern with the level of enforcement of intellectual property rights in China. The cited provisions on *Remedies in Infringement Disputes*, *Investigations*, and *Civil Compensation* indicate some progress toward providing relief to victims of infringement, and may bring the PRC’s Trademark Law more in line with the wishes of the international community.

Where these provisions may falter is in their practicability and delineation of power. For example, greater means for cooperation between provincial authorities (Administrations for Industry and Commerce (AICs)), police bureaus, and related government agencies would provide greater protection for trademark holders and serve as a bigger threat to infringers and counterfeiters.

A welcomed addition to this portion of the Proposed Trademark Law is the ability of AICs to pursue suspected infringers, as opposed to proven ones. At the same time, this ability may be thwarted by another grant of authority to AICs. Under *Investigations*, AICs may order the cessation of an ongoing investigation if there exist “specific circumstances”—circumstances that remain undefined and may, therefore, lead to subjective application of the provision and uneven enforcement.

Another point of practicability is the deterrence factor. Here, trademark holders and the global community may fare somewhat poorly; the statutory remuneration offered in *Civil Compensation* does not necessarily comport with international standards in terms of monetary damages, nor does it accurately reflect the relevant economic situation in China.⁵³

Taken together, the *Remedies in Infringement Disputes*, *Investigations*, and *Civil Compensation* provisions do serve to benefit trademark holders, and they demonstrate an effort to address matters of significant international concern. What they also show is that the need to revisit and revise the language and protocols of enforcement remains, as a concerted and widespread effort in these areas is necessary for the benefit of all stakeholders in the amendment of the Trademark Law.

Looking Ahead

Parties with an interest in the scope and strength of trademark protection and enforcement in the PRC will welcome many of the proposed amendments to the Trademark Law. They also may wish to see improvements in a number of areas, including Internet counterfeiting and criminal enforcement, the latter in the form of corresponding updates to the Criminal Law. Further efforts to streamline and clarify the application and registration process, ideally thereby lessening the burden on the Chinese Trademark Office and related agencies as well as lowering costs to applicants, also would serve to benefit national and foreign applicants.

As explained above, the motivation to amend the Trademark Law came from the rapid growth of the Chinese economy and the changes accompanying that growth. It is of note, too, that China's first Trademark Law was enacted just under 30 years ago. Without question, the government of the PRC, along with its industry and commerce-related agencies in particular, has managed an enormous task in handling the burgeoning interest in Chinese trademark protection in the recent past. Foreign and national seekers of that protection will benefit significantly should the Proposed Trademark Law be implemented. It is equally clear, however, that in the eye of those seekers and of the global community many issues remain.

China has not yet fully managed to achieve integration of international norms with its own unique principles. Until that happens—if in fact it can—many of the stakeholders in the PRC's trademark regime will remain unfulfilled. ■

Endnotes

1. Trademark Law of the People's Republic of China (Adopted at the 24th Session of the Standing Committee of the Fifth National People's Congress on 23 August 1982, Amended by the Decision Regarding the Revision of the Trademark Law of the People's Republic of China, Adopted at the 30th Session of the Standing Committee of the Seventh National People's Congress on February 22, 1993 and by the Decision on Amending the Trademarks Law of the People's Republic of China adopted on October 27, 2001, by the 24th Meeting of the Standing Committee of the Ninth National People's Congress) ["People's Republic of China" is hereinafter PRC].

2. The 1993 amendment included, among other provisions, expansion of rights to service marks. Information Office of the State Council of the People's Republic of China, *New Progress in China's Protection of Intellectual Property Rights* (2005) [hereinafter *New Progress*], http://www.gov.cn/english/official/2005-07/28/content_18131.htm. See also posting of Travis Hodgkins, *Advice From Starbucks About IP Protection in China*, TRANSNAT'L L. BLOG (Sept. 9, 2006), http://transnationallaw-blog.typepad.com/transnational_law_blog/ (noting 1993 amendment and stating that the effort "was the result of the USA threatening trade sanctions and China's own interest in taking home-grown trademarks into the international market"). The 1993 Amendment also secured China's status as a "first to file" state. *Id.*

3. See generally Ruixue Ran, *Well-Known Trademark Protection in China: Before and After the TRIPS Amendments to China's Trademark Law*, 19 UCLA PAC. BASIN L.J. 231 (Spring 2002) (assessing 2001 amendments to Trademark Law of the PRC implementing the requirements of TRIPS).

4. Qiang Ma, *On the 3rd Revision of Chinese Trademark Law*, UNITALEN (2008), <http://www.unitalen.com/html/node/36170-1.htm>.

5. *Descriptions about Trademark Law (Amended) (Exposure Draft)*, State Administration for Industry and Commerce, People's Republic of

China, Mar. 2010 (English translation on file with author).

6. *Id.* The amendment also was seen as important because the 2001 version was not in accordance with the Singapore treaty. See Ma, *supra* note 4.

7. Information Office State Council of the People's Republic of China, *Intellectual Property Protection in China: II. China Has a High-Grade Legal System for Intellectual Property Protection*, CHINA.ORG (June 1994), <http://china.org.cn/e-white/intellectual/12-3.htm>.

8. *New Progress*, *supra* note 2.

9. Ma, *supra* note 4.

10. Press Release, U.S. Patent & Trademark Office, Fiscal Year 2006: A Record-Breaking Year for the USPTO (Dec. 22, 2006), <http://www.uspto.gov/news/pr/2006/06-73.jsp>.

11. *2009 Tough for International Trademark Filings; 2010 Looking Up*, INTELLECTUAL PROP. WATCH (Mar. 18, 2010), <http://www.ip-watch.org/weblog/2010/03/18/2009-tough-for-international-trademark-filings-2010-looking-up/>.

12. Report of the World Intellectual Property Organization (WIPO), *The World Intellectual Property Indicators 2010* (Sept. 15, 2010), at 78–82. The Report also indicates that China was responsible for 90% of the global increase in trademark applications in recent years. *Id.* at 11.

13. *Descriptions about Trademark Law (Amended) (Exposure Draft)*, *supra* note 5.

14. *Id.*

15. *Id.*

16. 3 THE WORLD TRADE ORGANIZATION: LEGAL, ECONOMIC AND POLITICAL ANALYSIS 4376 n.24 (Patrick F. J. Macrory, Arthur Edmond Appleton, & Michael G. Plummer, eds. 2004).

17. *Descriptions about Trademark Law (Amended) (Exposure Draft)*, *supra* note 5.

18. *Id.*; see also International Trademark Association, *Comments on the Draft of the Trademark Law of the People's Republic of China [hereinafter INTA]*, Apr. 2010, at 2 (noting opportunity to comment and the government agencies involved).

19. JOINT COMMENTS OF THE AMERICAN BAR ASSOCIATION SECTIONS OF INTELLECTUAL PROPERTY LAW AND INTERNATIONAL LAW TO THE REQUEST FOR COMMENTS FROM THE STATE ADMINISTRATION OF INDUSTRY AND COMMERCE AND THE LEGISLATIVE AFFAIRS OFFICE OF THE STATE COUNCIL, FOR CONSIDERATION BY THE CHINESE TRADEMARK OFFICE (Aug. 2010), http://www.abanet.org/intlaw/leadership/policy/Comments_CTO.pdf [hereinafter ABA]; see also INTA, *supra* note 18, *The U.S.-China Business Council Comments on the PRC Revised Trademark Law* (Apr. 2010), http://www.uschina.org/public/documents/2010/04/trademark_law_comments.pdf [hereinafter USCBC]. The most recent published version of the Proposed Trademark Law was published in March 2010.

20. Note: All translations provided herein are based upon the Quality Brands Protection Committee translation of the PRC's Proposed Trademark Law (on file with author).

21. Art. 8, Proposed Trademark Law:

Any visual mark, consisting of words, devices, letters, numbers, three-dimensional marks, colors, or the combination of said factors, that can distinguish the goods of a natural person, legal person or other organization from those goods of others, can be applied as a trademark for registration.

The trademark office may, in due time, accept applications for the registration of trademarks, such as sound, smell, animation etc. Specific registration guidelines shall be enacted separately by the administrative authority for industry and commerce under the State Council.

22. Art. 9, Proposed Trademark Law:

Any trademark applied for registration shall be so distinctive as to be distinguishable and shall not be in conflict with other people's prior-acquired legitimate rights.

The application and use of a trademark shall be made in good faith.

The trademark registrant shall have the right to mark the indication "Registered Trademark" or a sign of trademark registration.

23. Art. 10, Proposed Trademark Law:

The following marks may not be used as trademarks:

- 1) those identical with or similar to the national name, national flag, national emblem, military flag or medals of the People's Republic of China, as well as those identical with the name, marks of the central government agencies, names of the specific sites or the names and designs of the symbol buildings of the places where the central government agencies are located;
- 2) those identical with or similar to the national name, national flag, national emblem or military flag of any foreign country, except with the consent of the government of that country;
- 3) those identical with or similar to the name, flag, or emblem of any intergovernmental international organization, except with the consent of that organization and those unlikely to mislead the public;
- 4) those identical with or similar to the official marks, inspection marks that indicate the controlling or providing guarantee, except with authorization;
- 5) those identical with or similar to the name or symbol of the Red Cross or the Red Crescent;
- 6) those having the nature of discrimination against any nationality and race;
- 7) those [that] are likely to mislead the public regarding the quality or other features of the goods, or service, or the place of origin;
- 8) those constituting exaggerated advertising and are deceitful; and
- 9) those detrimental to socialist morality or customs, or having other harmful influences.

The official marks, inspection marks mentioned in the above section 4) shall be recorded with and published by the Trademark Office.

The place names of the administrative districts at the level of county or above or the foreign place names known by the public may not be used as trademarks. However, the place names that have other meanings and those used as part of a collective mark or certification mark are exceptional; the registered trademarks that use place names shall continue to be valid.

24. Arts. 13 and 14, Proposed Trademark Law:

Art. 13. Where a trademark applied for registration or in use in respect of identical or similar goods is identical with or similar to other people's unregistered well-known trademarks and the applied/used trademark is likely to cause confusion, it shall not be allowed for registration and shall be forbidden from practical use.

If a trademark, for which an application for registration is filed or use of which, is likely to cause confusion due to being identical or similar to another's unregistered well-known trademark for the identical or similar commodity, it shall not be registered and its use shall be prohibited.

If a trademark, for which an application for registration is filed or use of which, misleads the public due to being identical or similar to another's registered well-known trademark for different or dissimilar commodities and is likely to unfairly exploit or damage the distinctiveness or reputation of the well-known trademark, it shall not be registered and its use shall be prohibited.

Art. 14. A well-known trademark refers to a trademark well known by relevant public and bears comparatively high fame in China.

A well-known trademark shall be determined in the registration, administration and review of trademarks and/or shall be determined in the civil cases regarding trademark dispute upon the concerned party's request. The following factors shall be taken

into consideration in the determination of well-known trademarks:

- 1) how well is that trademark known by the relevant public;
- 2) the period during which that trademark has been in use;
- 3) the period, extent and geographic scope of any publicity of that trademark;
- 4) the record of protection of that trademark as a well-known trademark; and
- 5) other factors for which that trademark is well-known.

25. Art. 18, Proposed Trademark Law:

Application for trademark registration or other trademark matters can be handled personally or by an organization certified by the Chinese Government as having the qualification for trademark agency.

Where a foreigner or a foreign enterprise applies for trademark registration or deals with other trademark matters in China, it shall entrust an organization certified by the Chinese Government as having the qualification for trademark agency to act on its behalf.

Trademark agencies shall obey the laws and administrative regulations, handle application for trademark registration and other trademark matters according to the instructions given by the principal, and shall not injure the principal's interests.

Administrative departments of all levels shall strengthen the supervision and administration on activities of trademark agency. Detailed administrative measures for activities of trademark agency shall be set forth by the State Council separately.

26. Art. 20, Proposed Trademark Law:

If an applicant intends to apply for the registration of the same trademark on the commodities in different classes, it shall submit separate applications for registration in accordance with the classification of commodities.

The Trademark Office can at proper times accept applications for registration that in one application the identical trademark covers multiple classes of commodities. The specific rules on the acceptance and the severance of the application, and other implementing rules shall be separately formulated by the State Council's industry and commerce authority.

27. Art. 36, Proposed Trademark Law:

Where the trademark applicant or registrant finds out any obvious mistake in the trademark application documents or trademark registration documents, he may apply for correction of the mistake.

The Trademark Office shall, within the limits of its functions and powers, make correction of the mistake, and shall notify the party concerned.

The correction of mistake mentioned in the first paragraph shall not involve any substantive contents in the trademark application documents or trademark registration documents.

28. Art. 39, Proposed Trademark Law:

If a change needs to be made in the applicant, or name, address or any other application or registration matters concerning the registrant of a trademark registration application or a registered trademark, an application to make the change shall be filed.

Where the name or address of the registrant of a trademark shall be changed, the registrant of a trademark shall change correspondingly all its registered trademarks. Where it fails to change all its registered trademarks, Trademark Office shall demand it to correct it in [the] designated period, and where no change is made in the designated period, it shall be deemed as give up [sic] the change application, and the Trademark Office shall notify the applicant.

29. Art. 40, Proposed Trademark Law:

Where the application to register a trademark is assigned, or a registered trademark is assigned, the assignor and the assignee

shall jointly file an application with the Trademark Office. The assignee shall guarantee the quality of the goods in respect of which the registered trademark is used.

The assignment of a registered trademark shall be published after it has been approved, and a new trademark certificate [in the name of the assignee] shall be issued. The assignee shall enjoy the exclusive right to use the assigned trademark from the publication date.

When assigning a registered trademark, the registrant shall assign all his identical or similar trademarks that are used on identical or similar goods. If he fails to assign all his trademarks, the Trademark Office shall inform him to rectify within a prescribed time period. If he fails to rectify during the time period, he shall be deemed to have abandoned the application for transferring the trademark, and the Trademark Office shall notify him accordingly.

If the assignment of a registered trademark is likely to mislead, or cause confusion or other unfavorable effects, the application for such assignment shall not be approved by the Trademark Office who shall inform the applicant together with an explanation of the reasons.

30. Art. 42, Proposed Trademark Law:

A trademark registrant may, by concluding a trademark licensing contract, authorize another person to use its registered trademark. The licensor shall supervise the quality of the commodities on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the commodities on which the registered trademark is to be used.

The one licensed to use the registered trademark of another person must indicate the name of the licensee and the origin of the commodities on the commodities on [sic] which that registered trademark is used.

Where a registered trademark is licensed to another person, the licensor shall record the license with the Trademark Office, and the Trademark Office shall issue a corresponding public notice. With the recordal, the license can be used against a third party.

31. Art. 9, Proposed Trademark Law, *supra* note 25.

32. Art. 34, Proposed Trademark Law:

Any application for a mark that is identical with or similar to another party's mark on identical or similar goods, where the applicants if [sic] aware of the existence of the other party's mark already used in China through the applicant's contractual, business, geographical or other relations with the other party, shall not be approved for registration.

Any trademark that is a plagiarism of another party's registered trademark, that has relatively strong distinctive characters and certain influence, which is filed for registration on different or dissimilar goods, and where the use of the trademark is likely to mislead the public, shall not be approved for registration.

33. Art. 52, Proposed Trademark Law:

In the event of any of the following acts concerning the use of a registered trademark, the Trademark Office shall order rectification of the situation within a specified period or shall revoke the registered trademark:

- 1) if the registered trademark is altered without authorization;
- 2) if the registrant's name, address or any other registered matters concerning the registered trademark is changed without authorization;
- 3) if the registered trademark is assigned without authorization; and
- 4) if the registered trademark, without valid reason, has not been used for three consecutive years.
- 5) [if] the registered trademark has become the common name of

the commodity or service it designates to use.

For the activities listed in 4), 5), any other person could apply for the cancellation of the registered trademark. For the activities listed in 1), 2) and 3), the local administrative department for industry and commerce where the activities have been conducted shall order to stop the activities, and can also impose a fine.

34. Art. 65, Proposed Trademark Law:

In the event of any of the acts, listed in Article 62 of this Law, infringing upon the right to exclusive use of a registered trademark, and a dispute arises accordingly, the parties shall negotiate to settle it; if any party refuses to negotiate or the negotiation has failed, the registrant of that trademark or the interested persons may bring a suit before a people's court, either may they request the administrative department for industry and commerce to handle the matter.

The administrative department for industry and commerce shall have the right to investigate into and punish the acts infringing upon the right to exclusive use of a registered trademark; the administrative department for industry and commerce at [the] provincial level may conduct recognition and protection of famous trademarks according to local regulations and local rules; if a crime is suspected to be constituted, the case shall be promptly transferred to the judicial departments for handling according to law.

35. Art. 66, Proposed Trademark Law:

On the basis of available evidence or reported facts concerning illegal acts, the administrative authority for industry and commerce above county level shall, in the investigation and treatment of the infringement of the exclusive right to use a registered trademark, have the right to exercise the following functions and powers:

- (1) to inquire of the interested parties about the matters concerning the infringement of the exclusive right to use a registered trademark;
- (2) to examine or reproduce the interested party's such contracts, receipts, account books and any other materials as connected with the infringing act;
- (3) to make on-the-spot investigations of the place where any interested party is suspected to be involved in the infringement of other people's exclusive right to use a registered trademark; and
- (4) to check up articles relating to the infringing act, and seal or detain the articles which are suspect of infringing upon other people's exclusive right to use a registered trademark, or properties which are used to implement [the]infringing act.

When the administrative authority for industry and commerce exercises such functions and powers as enumerated in the preceding paragraph, the interested parties shall give assistance thereto. Where anyone refuse[s] or obstructs the administrative authority for industry and commerce's performance of its office, the administrative authority for industry and commerce may impose a fine.

The administrative authority for industry and commerce is entitled to suspend the investigation, based on concrete circumstances that are likely to impact on the result of the case.

36. Art. 68, Proposed Trademark Law:

The amount of compensation for infringing upon the right to exclusive use of a trademark shall be the proceeds obtained from the infringement during the period of infringement, or the losses suffered by the infringed due to the infringement during the period of being infringed, including the reasonable expenses paid by the infringed to stop the infringing acts.

If it is difficult to determine the proceeds obtained from the infringement referred to in the preceding paragraph, or it is

difficult to determine the losses suffered by the infringer due to the infringement, the people's court shall determine a compensation of 1,000,000 RMB or below according to the circumstances of the infringing acts.

37. *XE Quick Cross Rates*, XE (Oct. 2010), <http://www.xe.com>.

38. For example, in a dispute brought before the World Trade Organization, a 2009 panel decision determined that China's Copyright Law and Customs provisions were in violation of particular TRIPS measures. Panel Report, *China—Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WT/DS362/R (Jan. 26, 2009). China represented to the WTO Dispute Resolution Board that the necessary changes were made to bring those provisions into compliance in a March 19, 2010 presentation. http://www.wto.int/english/tratop_e/dispu_e/cases_e/ds362_e.htm. For another example of stated concern with respect to China's enforcement of intellectual property rights, see Rick Mitchell, *OECD Urges China to Address "Uncertainties" in IP Environment, Innovation Policy*, BNA INTERNAT'L WORLD INTELLECTUAL PROPERTY REP. (Oct. 2010).

39. U.S. Trade Representative, 2001 Special 301 Report 19 (Apr. 30, 2010).

40. Adam Smith, *China's new draft Trademark Law under the microscope*, WORLD TRADEMARK REV. BLOG (Sept. 24, 2009) <http://www.worldtrademarkreview.com/daily/Default.aspx>.

41. See art. 10, *supra* note 23; ABA, *supra* note 19, at 6–7.

42. See art. 13, *supra* note 24.

43. USCBC, *supra* note 19, at 2. The USCBC Comments also point

out that the Proposed Trademark Law lacks protection for marks in terms of dilution; this illustrates that the question as to recognition and treatment of famous marks remains open.

44. INTA, *supra* note 18, at 5 (provision “conflicts with international treaties which allow the assessment of the well-known status of trademarks based on their global fame, as well as local fame in the relevant jurisdiction [and] ignores the actual ‘spillover’ effect of reputation for a trademark from outside the PRC into the country”).

45. *Bad Faith Trademark Registration In China. Good Luck With That*, CHINA L. BLOG (Jan. 14, 2010), http://www.chinalawblog.com/2010/01/bad_faith_trademark_registrati.html.

46. Smith, *supra* note 40.

47. ABA, *supra* note 19, at 11.

48. *Id.* at 10.

49. *Id.* at 14.

50. *Id.* at 19; USCBC, *supra* note 19. Such a requirement may also violate China's obligations under the Singapore Convention.

51. ABA, *supra* note 19, at 4–5, 11–12; INTA, *supra* note 18, at 3; USCBC, *supra* note 19, at 2.

52. Art. 52, *supra* note 33: “[T]he registered trademark has become the common name of the commodity or service it designates to use.” It is better to indicate that the trademark has become generic by virtue of a perceived primary significance of the mark to the relevant public. See ABA, *supra* note 19, at 15.

53. ABA, *supra* note 19, at 18; INTA, *supra* note 18, at 7; INTA, *supra* note 19.