The Long Road to Resolving Conflicts Between Trademarks and Geographical Indications
Burkhart Goebel and Manuela Groeschl

The New Chinese Trademark Law
中国新商标法
Paul Kossof

Trademark Licensing: The Once and Future Narrative
Neil Wilkof

Commentary: Judge Richard Posner and Consumer Surveys
Jerre B. Swann

Commentary: Let’s Kill the “Naked License” Defense
Pamela S. Chestek
The Trademark Reporter is pleased to publish in this issue one of the articles that won this year’s Ladas Memorial Award, funded by Ladas & Parry LLP and established in memory of Stephen P. Ladas, distinguished practitioner and author. Paul Kossof, a recent graduate of The John Marshall Law School and LLM candidate in International Business & Trade Law at the school’s Center for International Law, was the winner of the 2013–14 Ladas Award in the student category. (The article is based on Paul Kossof’s book Chinese Trademark Law: The New Chinese Trademark Law of 2014, published this year by Carolina Academic Press.) His article follows this page.
THE NEW CHINESE TRADEMARK LAW∗
中国新商标法

By Paul Kossof**

INTRODUCTION

The People’s Republic of China is undeniably the world’s largest up-and-coming economic superpower. National and foreign investment in manufacturing initially developed China’s east coast and, as coastal cities become more expensive, western China is on its way to establishing its own powerful local economies. China’s most developed cities—namely Beijing, Shanghai, and Guangzhou—are rapidly emerging as world-class centers for commerce and trade. This incredible transformation has spurred an exponential interest in understanding and improving China’s legal system.

Intellectual property law in China lends a unique glimpse into the trends of legal development in China. China’s patent and trademark laws were written in the 1980s, and China did not implement copyright law until 1990. Despite the relatively short history of intellectual property in China, the Chinese legislature, administrations, and judiciary have made significant positive modifications to both the written law and intellectual property practice.

Trademark law is an essential component of a successful economy. The purpose of a trademark is to designate a product’s source and, as companies seek to distinguish themselves from others and establish their own reputations, a trademark is essential to creating consumer recognition. A trademark also maintains a company’s reputation through administrative and judicial protections. In consideration of the massive wealth accumulated by China’s upper class, and the population and potential of its growing middle class, Chinese trademarks have proven to be important for the stability and promotion of commerce within China.

The third revision to China’s Trademark Law (“2013 Trademark Law”) was eagerly anticipated by intellectual property


practitioners and academics as well as many other groups, including foreign and domestic trademark owners, government officials and employees, and trademark agencies.

This article serves as a substantive review of the 2013 Trademark Law. It also provides an analysis of and commentary regarding each amendment and explains how the 2013 Trademark Law may affect trademark practice.

I. THE 2013 TRADEMARK LAW: OVERVIEW

The 2001 Trademark Law was a substantial improvement to its predecessors, and in many ways it was the first version of China’s trademark law to align Chinese trademark practice with international standards. The years 2002 to 2009 saw a tremendous increase in experience and understanding from judges, practitioners, and Chinese Trademark Office (“CTMO”) examiners. This period also experienced a substantial increase in the length and quality of judges’ opinions, which have lent invaluable insight into how people’s courts interacted with the 2001 Trademark Law.

In 2009, the State Administration for Industry and Commerce of the People’s Republic of China (“SAIC”) wrote the first draft of what ultimately became the 2013 Trademark Law. This initial draft contained most of the substantial changes in the 2013 Trademark Law, albeit some were removed and others were modified by the State Council in consideration of public opinion.

For the next two years, the SAIC worked on the initial draft. In September 2011, the State Council promulgated the second draft and asked the public to submit its opinions. The second draft contained revisions, including the addition of sound marks, increased well-known trademark protections, and trademark agency restrictions.

The State Council then spent about a year and a half revising the second draft to the trademark law. In January 2013, the State Council released the third draft and asked the public to submit another round of opinions. The third draft did not alter many articles that had not been previously changed in the first and second draft. Instead, most of the changes in the third draft focused on what had already been done previously. For example, the avenues through which Chinese trademarks can be determined to be well known were expanded by the third draft to include recognition by the CTMO by request of the trademark owner if the mark’s status is a fact to be determined in a legal dispute.

The entire process of revising the 2001 Trademark Law lasted four years. In addition to dozens of SAIC and State Council meetings, the State Council also received several thousand formal public opinions. On August 30, 2013, the State Council promulgated the official 2013 Trademark Law.
This section provides a detailed explanation and analysis of each change contained within the 2013 Trademark Law and is organized by (1) the order of amendments in the 2013 Trademark Law, (2) giving priority to amendments that the author expects to be substantially more important, (3) the relationship between an amendment and the trademark process (an amendment may be discussed earlier in a section if it affects registration opposed to a local Administration of Industry and Commerce (AIC) or people’s court procedures), and (4) grouping related amendments together depending on their association.

Citations are provided with the specific article numbers of the 2013 Trademark Law and parentheticals containing the official Mandarin version of the particular article under discussion.

II. SOUND TRADEMARKS

The first change discussed in this article is the introduction to trademark law of sound trademarks. For the first time in Chinese trademark history, trademark applicants will be given the opportunity to register audio marks that distinguish their goods.\(^1\)

Many countries already provide trademark registration for sound marks. The incorporation of sound into the scope of China’s trademark protection shows that its trademark practice is breaking away from the conventional perception that only graphics can be trademarked.

Although the 2013 Trademark Law sets forth China’s first legislative protection of sound marks, there have been previous instances of sound mark protection in China. For example, China protected the MGM lion roar and the “Hello Moto” Motorola sound byte. Nonetheless, these sound marks could not be registered until the implementation of the 2013 Trademark Law.

It is likely that the CTMO, Trademark Review and Adjudication Board (“TRAB”), and people’s courts will encounter difficulties associated with sound trademarks. The 2013 Trademark Law does not provide any explanation of what constitutes a sound mark. The omission of a definition of “sound trademark” was not a mistake, and this kind of exclusion is not uncommon to general legislative practice in China. To the contrary, Chinese laws and regulations are generally vague in order to allow other entities, such as administrations and the Supreme People’s Court (“SPC”), to create their own guidelines.

The CTMO will need to address its definition of what a sound mark is and how it qualifies for registration. First, the CTMO will

want to determine how applicants describe their sound marks. In other countries such as the United States, applicants must submit an audio reproduction of the sound mark in an electronic file. They must also submit a detailed description of the mark and must include a musical score sheet if the sound mark contains lyrics (Trademark Manual of Examining Procedure § 807.09). Afterwards, the CTMO will also need to determine the examination criteria for sound marks. In comparison with word mark examination, the judgment for similarity between sounds is often more subjective. Increased subjectivity leads to inconsistent application decisions. Therefore, in order to prevent the subjectivity associated with the examination of sound marks, the CTMO should limit examiners’ discretion by requiring them to base their decisions on the mark’s specific notes and tones.

Judges will also face uncertainty concerning how to determine whether two marks are similar. Generally, judges will consider a specific list of factors when determining whether two graphics are identical or substantially similar. However, this list cannot apply to sound marks because it is based on graphics. The author believes that the best way for China to resolve this uncertainty is for the SPC to issue an interpretation stating the factors that judges should consider when determining whether two sound marks are similar.

The introduction of sound mark registration in China will most likely cause a slight increase in trademark registrations with the CTMO. Foreign companies participating in the Chinese market that have international sound trademark portfolios should apply for Chinese sound marks as soon as possible. As the vast majority of Chinese trademark attorneys and agents have no experience with sound mark registration, they should become familiar with the basics of sound mark registration and review examples of sound mark descriptions. It is also likely that some Chinese trademark agents will begin to focus on sound mark registrations.

### III. MULTIPLE CLASS REGISTRATION

The 2013 Trademark Law establishes multiple class registrations in China. Trademark applicants under the Madrid Protocol were already able to apply for multiple classes in a single trademark application, and the new trademark law expands this practice to all CTMO applications.

This amendment shall be a welcome change to registration procedures. Trademark applicants will pay fewer filing fees, and CTMO examiners will process fewer applications. Considering the massive number of Chinese trademark applications, this

---

2. *Id.* art. 22 (商标注册申请人可以通过一份申请就多个类别的商品申请注册同一商标).
amendment helps to reduce the overwhelming number of applications being processed by the CTMO.

Multiple class registration also increases applicants’ efficiency during and after trademark registration. Applicants that use trademark agencies will need to discuss only a single application with the agency, and the agency will handle less paperwork. Applicants that receive trademark rights via multiple-class registration will also have a single effective date and expiration date. This will prove useful when an applicant with registrations under multiple classes needs to apply for an extension.

It remains to be seen whether trademark agencies will modify their trademark application fees. Typically, trademark agents charge a fee for each application. However, as this amendment will substantially decrease the number of applications from foreign companies, trademark agencies may raise the price for each application to mitigate the financial effects. Another possibility is that trademark agents will increasingly use hourly rates, which would be a more effective method to connect agency fees with the amount of work spent on a specific application.

IV. TRADEMARK AGENCY RESTRICTIONS

The new trademark law creates numerous obligations and penalties for trademark agencies that did not exist previously. Although many of China’s trademark agencies submitted opinions against these additions, the State Council determined that these obligations were necessary in order to address the serious implications of bad faith trademark agency practices.

A. Obligations

Trademark agencies are now required to act honestly and with credibility. This good faith standard also imposes the obligation to keep clients’ trade secrets confidential. It also demands that trademark agencies not register trademarks outside of the scope of their services. Although the principle of acting in good faith is prevalent throughout Chinese law, including trademark law, trademark law and related regulations before the 2013 Trademark Law never explicitly mandated that trademark agencies act in good faith.

Building on the standard of good faith, the 2013 Trademark Law requires trademark agencies to advise clients when a

3. Id. art. 19 (商标代理机构应当遵循诚实信用原则，遵守法律、行政法规，按照被代理人的委托办理商标注册申请或者其他商标事宜).
4. Id. (对在代理过程中知悉的被代理人的商业秘密，负有保密义务).
5. Id. (商标代理机构除对其代理服务申请商标注册外，不得申请注册其他商标).
trademark may not be registered according to the law. The purpose of this amendment is to stop trademark agents from pursuing an application that they know cannot succeed as a result of a conflict with written law. There are three primary benefits to curtailing this activity. First, the CTMO will receive fewer applications, and the applications that it does receive will be more likely to pass substantive examination. Second, this amendment reduces the possibility of the CTMO approving a trademark registration that violates the law. Third, it protects trademark owners from spending their resources on ultimately unsuccessful registrations that could have been avoided.

Additionally, trademark agencies may not agree to process a trademark application if they know or should know that the application is meant to use another party’s trademark or contains the intent to preemptively register a trademark used by another party that has a certain reputation. The sole purpose of this amendment is to combat bad faith trademark registrations.

Compared with the previous amendment, which typically involves good faith applicants, this amendment addresses situations where the applicants themselves purposely attempt to unduly benefit from the reputation of another party’s trademark. Trademark agencies have been known to collude with bad faith trademark registrants. However, regardless of whether the agency is working with the bad faith registrant to infringe on another party’s rights, this amendment establishes a strong deterrent to providing an avenue for bad faith registration.

B. Penalties

The 2013 Trademark Law implements a wide range of penalties associated with trademark agency obligations. The CTMO and TRAB now have the ability to promulgate a blacklist of trademark agencies that violate the good faith principles in the 2013 Trademark Law. This has the potential of crippling trademark agencies that consistently violate the new trademark law because the CTMO and TRAB may refuse to accept their applications and petitions for review, essentially barring them from the majority of fee-earning

6. Id. (委托人申请注册的商标可能存在本法规定不得注册情形的，商标代理机构应当明确告知委托人).

7. Id. (商标代理机构知道或者应当知道委托人申请注册的商标属于本法第十五条和第三十二条规定情形的， 不得接受其委托) (emphasis added); id. art. 15 (就同一种商品或者类似商品申请注册的商标与他人在先使用的未注册商标相同或者近似，申请人与该他人具有前款规定以外的合同、业务往来关系或者其他关系而明知该他人商标存在，该他人提出异议的，不予注册).

8. Id. art. 20 (商标代理行业组织应当按照章程规定，严格执行吸纳会员的条件，对违反行业自律规范的会员实行惩戒。商标代理行业组织对其吸纳的会员和对会员的惩戒情况，应当及时向社会公布) (providing that trademark agency organizations may publicly disseminate the identity of trademark agencies that violate their obligations).
activities. Depending on how the CTMO and TRAB exercise this ability, this amendment may prove to be a very effective method of pressuring unwilling trademark agencies into complying with the new law.

The 2013 Trademark Law also gives the local Administration of Industry and Commerce (AICs) the power to order a correction and issue fines between 10,000 RMB (approx. US $1,600) and 100,000 RMB (approx. US $16,400) against a trademark agency and to give a warning to and/or fine the persons in charge and directly responsible at the trademark agency 5,000 RMB (approx. US $800) to 50,000 RMB (approx. US $8,200). Individuals may also incur criminal liability.

However, all of the penalties issued by AICs apply only to the following actions:

1. forging, altering, or using forged or altered documents in association with a trademark application;
2. denigrating other trademark companies or trademarks applied for by other trademark companies in order to solicit business;
3. unfair means connected to trademarks meant to benefit a trademark agency;
4. applying for a trademark that the trademark agency knew or should have known was a bad faith application; and
5. applying for a trademark outside of an agency’s scope.

It is still unforeseen to what extent the AICs will enforce the trademark agency restrictions in the 2013 Trademark Law. Although AICs throughout China are accustomed to interacting with the trademark law in association with trademark infringement, they have little to no interaction with trademark agencies.

Chinese trademark agencies are headquartered in Beijing and, depending on their size, have offices in other large Chinese cities such as Shanghai, Guangzhou, Chengdu, Chongqing, and Shenzhen. The largest trademark agencies also have liaison and associated offices in second- and even third-tier cities. The Beijing and Shanghai AICs have had more experience with trademark agencies and, as a result, it is likely that they will be the frontrunners in enforcing trademark agency restrictions. AICs in

---

9. Id. art. 68 (商标代理机构有下列行为之一的,由工商行政管理部门责令限期改正,给予警告,处一万元以上十万元以下的罚款;对直接负责的主管人员和其他直接责任人员给予警告,处五千元以上五万元以下的罚款;构成犯罪的,依法追究刑事责任).
10. Id. (一)办理商标事宜过程中,伪造、变造或者使用伪造、变造的法律文件、印章、签名的; (二)以诋毁其他商标代理机构等手段招徕商标代理业务或者以其他不正当手段扰乱商标代理市场秩序的; (三)违反本法第十九条第三款、第四款规定的; id. art. 19.3–4 (商标代理机构知道或者应当知道委托人申请注册的商标属于本法第十五条和第三十二条规定情形的,不得接受其委托。商标代理机构除对其代理服务申请商标注册外,不得申请注册其他商标).
second- and third-tier cities will probably not enforce the trademark agency restrictions, which is somewhat understandable considering the size of trademark agency branch offices in small cities, or will refer possible infringement to AICs with jurisdiction over the trademark agency’s main office.

V. CTMO EXPLANATION AND CORRECTION REQUESTS

The 2013 Trademark Law includes an exciting improvement to CTMO registration procedures. Between 2001 and 2014, CTMO examiners performing preliminary and substantive examinations were not provided with a means to communicate with trademark applicants other than issuing a rejection. Before 2001, examiners could issue examination opinions that informed applicants why the CTMO did not approve a registration. However, the 2001 Trademark Law did away with this practice in order to avoid unwanted business practices such as trademark agencies establishing guanxi through corruption.

The 2013 Trademark Law attempts to create a way that CTMO examiners can communicate with applicants while at the same time mitigating unwanted consequences. Under the new law, examiners may request applicants to provide explanations and make corrections to their trademark applications. The law also explicitly provides that an examiner’s final decision shall not be affected by whether the applicant responded to the explanation or correction request.

This amendment is widely considered to be an improvement to CTMO registration procedures. CTMO examiners will be able to reduce their workload by requesting explanations and corrections because the responses from trademark applicants should increase the percentage of successful applications and, as a result, reduce requests for reviews of refusals. This amendment also allows trademark agencies to better serve their clients during what is generally a long wait to hear back from the CTMO regarding a trademark application.

VI. CTMO AND TRAB TIME LIMITS

The massive rise in the number of trademark applications in China has steadily increased the amount of work facing CTMO examiners. One of the primary issues discussed during the
drafting of the 2013 Trademark Law was how the CTMO could establish an acceptable workload for each examiner while improving CTMO responses to trademark applicants. A primary concern was how to ensure that CTMO procedures would not take too long and that they would be completed in approximately the same time period.

The CTMO has recommended that several steps be taken in order to balance examiner workload while establishing acceptable time frames for CTMO and TRAB procedures. As a result, in addition to increasing the number of CTMO and TRAB examiners, the CTMO provided draft time limits to the State Council. The 2013 Trademark Law incorporated these time limits, setting the first guidelines for the maximum length of time that the CTMO and TRAB would be able to spend on specific types of procedures.

The following table illustrates each time limit established by the 2013 Trademark Law:

<table>
<thead>
<tr>
<th>Type</th>
<th>Department</th>
<th>Time Limit</th>
<th>Extension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Examination(^{13})</td>
<td>CTMO</td>
<td>9 months (from receipt of filing)</td>
<td>None</td>
</tr>
<tr>
<td>Opposition(^{14})</td>
<td>CTMO</td>
<td>12 months (from expiration of preliminary publication)</td>
<td>6 months</td>
</tr>
<tr>
<td>Review of Refusal(^{15})</td>
<td>TRAB</td>
<td>9 months (from receipt of filing)</td>
<td>3 months</td>
</tr>
<tr>
<td>Review of Opposition(^{16})</td>
<td>TRAB</td>
<td>12 months (from receipt of filing)</td>
<td>6 months</td>
</tr>
</tbody>
</table>

\(^{13}\) Id. art. 28 (对申请注册的商标，商标局应当自收到商标注册申请文件之日起九个月内审查完毕，符合本法有关规定的，予以初步审定公告).

\(^{14}\) Id. art. 35 (第三十五条对初步审定公告的商标提出异议的，商标局应当听取异议人和被异议人陈述事实和理由，经调查核实后，自公告期满之日起十二个月内做出是否准予注册的决定，并书面通知异议人和被异议人。有特殊情况需要延长的，经国务院工商行政管理部门批准，可以延长六个月).

\(^{15}\) Id. art. 34 (对驳回申请、不予公告的商标，商标局应当书面通知商标注册申请人。商标注册申请人不服的，可以自收到通知之日起十五日内向商标评审委员会申请复审。商标评审委员会应当自收到申请之日起九个月内做出决定，并书面通知申请人。有特殊情况需要延长的，经国务院工商行政管理部门批准，可以延长三个月。当事人对商标评审委员会的决定不服的，可以自收到通知之日起三十日内向人民法院起诉).

\(^{16}\) Id. art. 35 (对初步审定公告的商标提出异议的，商标局应当听取异议人和被异议人陈述事实和理由，经调查核实后，自公告期满之日起十二个月内做出是否准予注册的决定，并书面通
### Invalidation

<table>
<thead>
<tr>
<th>Type</th>
<th>Department</th>
<th>Time Limit</th>
<th>Extension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invalidation Request (relative grounds)(^{17})</td>
<td>TRAB</td>
<td>12 months (from receipt of filing)</td>
<td>6 months</td>
</tr>
<tr>
<td>Invalidation Request (absolute grounds)(^{18})</td>
<td>TRAB</td>
<td>9 months (from receipt of filing)</td>
<td>3 months</td>
</tr>
<tr>
<td>Review of Invalidation(^{19})</td>
<td>TRAB</td>
<td>9 months (from receipt of filing)</td>
<td>3 months</td>
</tr>
</tbody>
</table>

### Cancellation & Renewal

<table>
<thead>
<tr>
<th>Type</th>
<th>Department</th>
<th>Time Limit</th>
<th>Extension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cancellation Request(^{20})</td>
<td>CTMO</td>
<td>9 months (from receipt of filing)</td>
<td>3 months</td>
</tr>
</tbody>
</table>

17. *Id.* art. 45 (商标评审委员会收到宣告注册商标无效的申请后，应当书面通知有关当事人，并限期提出答辩。商标评审委员会应当自收到申请之日起十二个月内做出维持注册商标或者宣告注册商标无效的裁定，并书面通知当事人。有特殊情况需要延长的，经国务院工商行政管理部门批准，可以延长六个月。当事人对商标评审委员会的裁定不服的，可以自收到通知之日起三十日内向人民法院起诉。人民法院应当通知商标裁定程序的对方当事人作为第三人参加诉讼。)

18. *Id.* art. 44 (当事人对商标局的决定不服的，可以自收到通知之日起十五日内向商标评审委员会申请复审。商标评审委员会应当自收到申请之日起九个月内做出决定，并书面通知当事人。有特殊情况需要延长的，经国务院工商行政管理部门批准，可以延长三个月。当事人对商标评审委员会的决定不服的，可以自收到通知之日起三十日内向人民法院起诉。)

19. *Id.* (其他单位或者个人请求商标评审委员会宣告注册商标无效的，商标评审委员会收到申请后，应当书面通知有关当事人，并限期提出答辩。商标评审委员会应当自收到申请之日起九个月内做出维持注册商标或者宣告注册商标无效的裁定，并书面通知当事人。有特殊情况需要延长的，经国务院工商行政管理部门批准，可以延长三个月)（interested party may apply for TRAB review of invalidation decision within 15 days of receipt of the notification）

20. *Id.* art. 49 (注册商标成为其核定使用的商品的通用名称或者没有正当理由连续三年不使用的，任何单位或者个人可以向商标局申请撤销该注册商标。商标局应当自收到申请之日起九个月内做出决定。有特殊情况需要延长的，经国务院工商行政管理部门批准，可以延长三个月)
The establishment of a nine-month initial examination period without an extension may be the most welcomed time limit provided in the 2013 Trademark Law. Not only is this time limit more stringent than the others, especially when comparing the amount of work required for each process and that it is the only time limit without an extension, but it also sets a clear standard that the CTMO will weigh against examiner workload. The other time limits are less stringent and follow a general theme of providing a reasonable time limit while explicitly giving leeway to CTMO and TRAB examiners.

It is uncertain how the CTMO will respond to these time limits. For example, the CTMO may follow a general trend generally based on its workload and not on the upper limits of the 2013 Trademark Law time limits. Another possibility is that it will use the time limits as a cushion for processes that may take less time than the maximum time allotted.

Additionally, it will be interesting to see the differences in average processing times for invalidation requests. The 2013 Trademark Law establishes more stringent time limits for absolute grounds because these grounds are considered to be more serious than relative grounds. However, the work involved in determining invalidation requests regardless of whether they are based on relative or absolute grounds is relatively the same.

<table>
<thead>
<tr>
<th>Type</th>
<th>Department</th>
<th>Time Limit</th>
<th>Extension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review of Cancellation</td>
<td>TRAB</td>
<td>9 months (from receipt of filing)</td>
<td>3 months</td>
</tr>
<tr>
<td>Renewal</td>
<td>CTMO</td>
<td>12 months (from publication of original registration)</td>
<td>6 month (grace period)</td>
</tr>
</tbody>
</table>

(CTMO may cancel a trademark if it becomes generic or if it is not used for 3 years without adequate justification).

21. *Id.* art. 54 (对商标局撤销或者不予撤销注册商标的决定, 当事人不服的, 可以自收到通知之日起十五日内向商标评审委员会申请复审。商标评审委员会应当自收到申请之日起九个月内做出决定, 并书面通知当事人。有特殊情况需要延长的, 经国务院工商行政管理部门批准, 可以延长三个月。当事人对商标评审委员会的决定不服的, 可以自收到通知之日起三十日内向人民法院起诉) (dissatisfied party may file suit against the TRAB within 30 days of receipt of the cancellation decision).

22. *Id.* art. 40 (注册商标有效期满, 需要继续使用的, 商标注册人应当在期满前十二个月内按照规定办理续展手续; 在此期间未能办理的, 可以给予六个月的宽展期。每次续展注册的有效期为十年, 自该商标上一届有效期满次日起计算。期满未办理续展手续的, 注销其注册商标) (compared with six months under the 2001 Trademark Law).
VII. TRADEMARK OPPOSITION

The 2013 Trademark Law makes substantial changes to trademark opposition grounds and procedures. Specifically, the new trademark law establishes two separate grounds upon which a trademark opposition may be based: absolute grounds and relative grounds. It also modifies CTMO and TRAB procedures associated with trademark opposition.

A. Absolute Grounds

The purpose of absolute grounds, both in international practice and as provided in the 2013 Trademark Law, is to address defects in a mark itself. On the other hand, relative grounds, as shown in the next section, address circumstances surrounding a mark that by itself would otherwise qualify for trademark registration.

There are three absolute grounds for trademark opposition under the 2013 Trademark Law: (1) prohibited signs, (2) lack of distinctiveness, and (3) restricted three-dimensional marks.23

The first absolute ground in the new law is based on registrations of trademarks that incorporate a specific list of prohibited signs.24 Based on this ground, a mark cannot be registered if it is identical or similar to a Chinese or foreign government sign, such as the Chinese flag, national emblem, or military designation. The new law also explicitly provides that a trademark cannot be registered if it is identical or similar to “Red Cross” or “Red Crescent.” Additionally, a mark cannot be registered if it discriminates against a national or ethnic group, will easily confuse the public regarding a product’s source, or is “destructive to the morals of socialism.” These absolute grounds extend to the names of administrative areas at and above the county level and the names of famous foreign places, unless they are already registered as trademarks and have established secondary meaning.

The next absolute ground addresses marks that cannot be registered because they lack distinctiveness or are merely

23. See id. art. 33 (listing the specific article numbers for absolute grounds).

24. See id. art. 10 (下列标志不得作为商标使用: (一) 同中华人民共和国的国家名称、国旗、国徽、国歌、军旗、军徽、军歌、勋章等相同或者近似的，以及同中央国家机关的名称、标志、所在地特定地点的名称或者标志性建筑物的名称、图形相同的；（二）同外国的国家名称、国旗、国徽、军旗等相同或者近似的，但经该国政府同意的除外；(三）同政府间国际组织的名称、旗帜、徽记等相同或者近似的，但经该组织同意或者不易误导公众的除外；(四)与表明实施控制、予以保证的官方标志、检验印记相同或者近似的，但经授权的除外；(五)同”红十字”、”红新月”等的名称、标志相同或者近似的；(六)带有民族歧视性的；(七)带有欺骗性，容易使公众对商品的质量等特点或者产地产生误认的；(八)有其他会引起误解的不良影响的。县级以上行政区划的地名或者公众知晓的外国地名，不得作为商标。但是，地名具有其他含义或者作为集体商标、证明商标组成部分的除外；已经注册的使用地名的商标继续有效)
descriptive. The CTMO may refuse registration under this absolute ground if a mark (1) solely uses the product’s name, graphic, or model number, (2) explicitly describes a product’s quality, main ingredients, capabilities, uses, quantity or other characteristics, or (3) is not distinctive.\(^\text{25}\)

The third absolute ground focuses on the registrability of three-dimensional trademarks. A three-dimensional mark shall not be registered if the application is merely for the shape of the product and if the product’s shape either adds substantial value to the product or creates a technical result.\(^\text{26}\)

The introduction of this absolute ground into the 2013 Trademark Law follows the international norms for absolute grounds. For example, lack of distinctiveness is a general absolute ground that is implemented by many countries. Countries do not allow the registration of useful three-dimensional marks because these marks are not descriptive and because their registration often has implications of unfair competition if a company uses a trademark to impede other companies from using a useful shape/form meant to achieve a result.\(^\text{27}\)

This addition is another important aspect of the 2013 Trademark Law that reflects how China’s trademark system has advanced. The absolute grounds in the new trademark law are very similar to those found in trademark laws of other countries, but there is more of a discrepancy in the relative grounds.

**B. Relative Grounds**

Relative grounds for trademark opposition do not focus on the mark itself. Instead, relative grounds provide reasons to oppose a trademark that relate to a circumstance surrounding the mark’s registration.

The 2013 Trademark Law establishes seven distinct relative grounds for trademark opposition: (1) a mark is similar to an unregistered well-known trademark for similar goods, (2) a mark is similar to a registered well-known trademark for dissimilar goods, (3) applications are made without owner approval, (4) geographical indications are misleading, (5) there are similar marks in the same class, (6) the mark was registered the same day

\(^{25}\) Id. art. 11 (下列标志不得作为商标注册：（一）仅有本商品的通用名称、图形、型号的；（二）仅直接表示商品的质量、主要原料、功能、用途、重量、数量及其他特点的；（三）其他缺乏显著特征的)．

\(^{26}\) Id. art. 12 (以三维标志申请注册商标的，仅由商品自身的性质产生的形状，为获得技术效果而需有的商品形状或者使商品具有实质性价值的形状，不得注册)．

\(^{27}\) Water sprayers are classic examples of three-dimensional objects that are registrable. In theory, the shape of a water sprayer that is merely designed to be functional cannot be registered. However, a water sprayer shape that incorporates distinctive designs may be eligible for registration as a trademark.
as the same mark or a similar mark, and (7) a mark prejudices or preempts certain trademarks.  

The first and second relative grounds provide an opportunity for opposition if the mark under consideration is similar to a well-known trademark. The first ground states that a mark cannot be registered if it is similar to an unregistered well-known trademark for identical or similar goods. In comparison, the second ground allows for opposition against a mark that is similar to a registered well-known trademark for dissimilar goods.

Under these two relative grounds, a well-known trademark registered in China may serve as the basis for an opposition against a similar mark whether the disputed mark is used in association with similar or dissimilar goods. However, if the well-known trademark has not been registered in China, then it can only serve as protection against the use of similar goods. Therefore, even though well-known trademarks receive added protection under Chinese law regardless of their registration status, it is important for well-known trademark owners to obtain a Chinese trademark in order to challenge the use of similar marks on dissimilar goods and services.

The third relative ground prohibits the CTMO from approving trademark applications submitted by trademark agents who do not have the proper authorization to do so. What this means is that a trademark owner who realizes that its trademark agent has acted in bad faith and applied for a mark under the trademark agent's own name will be able to file a complaint with the CTMO. Although this type of situation seldom arises, the 2013 Trademark Law provides a clear method to ensure that trademark owners can protect their marks from bad faith registrations made by their own trademark agents.

The fourth relative ground bars the registration of misleading geographical indications. If the product connected with the trademark application does not originate in the location associated with the geographical indication included in the mark, and if the mark would cause the public to associate the product with the geographical area, then the CTMO shall not approve the trademark application. The 2013 Trademark Law provides an

28. See id. art. 33 (listing the specific article numbers for relative grounds).

29. Id. art. 13.2 (就相同或者类似商品申请注册的商标是复制、摹仿或者翻译他人未在中国注册的驰名商标，容易导致混淆的，不予注册并禁止使用).

30. Id. art. 13.2 (就不相同或者不相类似商品申请注册的商标是复制、摹仿或者翻译他人已经在中国注册的驰名商标，误导公众，致使该驰名商标注册人的利益可能受到损害的，不予注册并禁止使用).

31. Id. art. 15 (未经授权，代理人或者代表人以自己的名义将被代理人或者被代表人的商标进行注册，被代理人或者被代表人提出异议的，不予注册并禁止使用).

32. Id. art. 16.1 (商标中有商品的地理标志，而该商品并非来源于该标志所标示的地区，误导公众的，不予注册并禁止使用；但是，已经善意取得注册的继续有效).
exception for geographical indications that have already been approved in good faith.

There are two main purposes for this trademark opposition ground. First, the prohibition of trademark registration for marks associated with products that are not connected to a geographical area protects consumers. Geographical indicators often have a strong effect on consumer decisions if they are associated with a specific good. For example, France is known for its champagne, Argentina for beef, and New Zealand for milk. Domestically, the infamous alcoholic beverage Maotai baijiu originates from Guizhou, while the Yunnan Province is known for its tea, and the Sichuan Province is famous for its spicy cuisine. Consumers make conscious decisions to purchase goods based upon where the goods come from and often associate the goods’ origin with important factors like quality and safety.

The other purpose for barring misleading geographical indicators is to protect local economies. Geographical indicators, regardless of whether they are national or associated with a small area, are vigorously protected by governments because they promote their regions’ most successful industries. Typically, a region becomes associated with a particular good because of its natural resources or a few successful companies. Regardless of how a given region achieves this reputation, its connection with particular goods allows for the creation of other local companies that will rely on the region’s reputation to foster their own operations. Additionally, large companies that own trademarks associated with a specific region are only marginally affected by small companies’ use of geographic indicators of the same region.

The fifth relative ground under the 2013 Trademark Law bars the registration of a mark that is the same or similar to a prior-filed mark and that is used in connection with the same class of goods or services. This relative ground provides a straightforward method for trademark owners to oppose the bad faith registration of similar marks. This relative ground does not extend to trademark applications in a different class from the registered trademark.

As discussed previously, China employs a first-to-file trademark application system. The sixth relative ground provides that when two or more applications are submitted on the same day for marks that are identical or similar and in the same class, the CTMO will only examine the application associated with the mark that was first used in commerce. The purpose of this relative ground.
ground is to clarify that the CTMO will not make exceptions to the rules under its first-to-file system even if applications are filed on the same day.

The seventh and last relative ground for trademark opposition in China is that, if registered, the mark would prejudice existing priority rights or preempt the registration of a trademark with a certain degree of influence.35

Priority trademark rights are created when a trademark owner applies for a trademark in another country that is party to either a multinational treaty, such as the Paris Convention for the Protection of Industrial Party, or a bilateral agreement that creates priority rights. The priority period for trademark rights is typically twelve months in most countries. However, China provides only a six-month priority rights period to trademark owners from other countries with an associated treaty or agreement.36 Therefore, the CTMO will allow only a trademark opposition under a priority trademark right within six months after the trademark application is filed in the other country. Trademark owners that intend to do business in China should file an application for registration within this time period in order to take advantage of their priority rights.

The second portion of the last relative grounds protects trademarks with a certain degree of influence. This addition to China’s trademark law illustrates the extent to which the 2013 Trademark Law brings Chinese trademark practice closer to international norms. Although China and most other countries implement first-to-file systems, many countries extend protection to marks that have obtained a reputation through use in commerce.

Countries like the United States, which uses a first-to-use system, provide the maximum protection possible because trademark rights under these systems begin as soon as a trademark is used in commerce.37 Countries that use first-to-file systems choose whether and how to protect marks that are not registered. Generally, these countries allow limit protection by stating that unregistered marks with a certain reputation may be protected. This gives substantial discretion to trademark offices

35. Id. art. 32 (申请商标注册不得损害他人现有的在先权利, 也不得以不正当手段抢先注册他人已经使用并有一定影响的商标).

36. See id. art. 25 (商标注册申请人自其商标在外国第一次提出商标注册申请之日起六个月内，又在中国就相同商品以同一商标提出商标注册申请的，依照该外国同中国签订的协议或者共同参加的国际条约，或者按照相互承认优先权的原则，可以享有优先权); see also Trademark Law of the People’s Republic of China, art. 24 (2001 Amendment).

37. In the United States, a mark may qualify for state registration once it is used in the state and qualifies for federal registration once it is used in interstate commerce. Additionally, a company or individual that uses a mark but does not have any type of registration may still file a lawsuit for trademark infringement.
and courts. It remains uncertain how the CTMO will address trademark opposition requests in association with unregistered marks that have obtained a certain amount of reputation, although the CTMO will almost certainly focus on the mark’s reputation within China and not consider evidence of reputation abroad.

C. Opposition Procedures

The division of trademark opposition grounds into absolute and relative categories has a significant effect on which parties may file an opposition. If opposition is based on absolute grounds, then anyone may file an opposition\(^{38}\) because the assertion is that the trademark itself cannot be registered.

In comparison, an opposition based on relative grounds can be filed only by prior rights owners and interested parties.\(^{39}\) The 2013 Trademark Law restricts trademark opposition based on relative grounds because the assertion would be more specific, focusing on the relation between the disputed mark and the trademark owner’s mark or the circumstances of the application.

Under the 2013 Trademark Law, the CTMO must issue a decision on whether the trademark may still be registered after it adjudicates a trademark opposition.\(^{40}\) If the CTMO decides to register the mark, then it must directly issue and publish the trademark registration certificate.\(^{41}\) If a party that opposes the trademark registration still wishes to oppose the mark, then it may file another trademark opposition petition with the TRAB.

If the CTMO decides not to register the trademark based upon the trademark opposition, then the trademark applicant has the opportunity to petition the TRAB to review the CTMO’s decision.\(^{42}\) The trademark applicant must submit its TRAB petition within

---

38. *Id.* art. 33 (对初步审定公告的商标，自公告之日起三个月内，在先权利人、利害关系人认为违反本法第十三条第二款和第三款、第十五条、第十六条第一款、第三十条、第三十一条、第三十二条规定的，认为违反本法第十条、第十一条、第十二条规定的，可以向商标局提出异议。公告期满无异议的，予以核准注册，发给商标注册证，并予公告) (emphasis added).

39. *Id.* (对初步审定公告的商标，自公告之日起三个月内，在先权利人、利害关系人认为违反本法第十三条第二款和第三款、第十五条、第十六条第一款、第三十条、第三十一条、第三十二条规定的，认为违反本法第十条、第十一条、第十二条规定的，可以向商标局提出异议。公告期满无异议的，予以核准注册，发给商标注册证，并予公告) (emphasis added).

40. *Id.* art. 35 (对初步审定公告的商标提出异议的，商标局应当听取异议人和被异议人陈述事实和理由，经调查核实后，自公告期满之日起十二个月内做出是否准予注册的决定，并书面通知异议人和被异议人。有特殊情况需要延长的，经国务院工商行政管理部门批准，可以延长六个月).

41. *Id.* (商标局做出准予注册决定的，发给商标注册证，并予公告。异议人不服的，可以依照本法第四十四条、第四十五条的规定向商标评审委员会请求宣告该注册商标无效).

42. *Id.* (商标局做出不予注册决定，被异议人不服的，可以自收到通知之日起十五日内向商标评审委员会申请复审).
fifteen days of receiving the CTMO determination not to register the mark.

As with other TRAB determinations, a trademark applicant or party opposing a trademark registration may file suit against the TRAB with the Beijing First Intermediate People’s Court within thirty days of receipt of the TRAB decision.43

VIII. WELL-KNOWN TRADEMARK PROTECTION

China provides extensive domestic well-known trademark protections to domestic marks that obtain a high level of national recognition. Under the 2013 Trademark Law, the CTMO should determine whether a trademark qualifies for national well-known trademark status at the party’s request if its status is a fact that must be determined in a trademark dispute.44

It also provides the factors that the CTMO should use when determining whether a trademark is nationally well known:

(1) the extent that the relative public recognizes the trademark;
(2) the amount of time that the trademark has been continuously used;
(3) the amount of publicity associated with the trademark, its degree of recognition and its geographical reach; and
(4) whether there is a history of protection of the trademark as well-known.45 The CTMO also has the discretion to consider other factors.

This addition to the trademark law does not substantially affect trademark practice. The factors for national well-known trademark recognition that are outlined in the 2013 Trademark Law are also found in other regulations, SPC interpretations, and court opinions. Nonetheless, this amendment is a positive change because it facilitates the CTMO’s decision-making process by

43. *Id.* art. 34 (对驳回申请、不予公告的商标, 商标局应当书面通知商标注册申请人。商标注册申请人不服的, 可以自收到通知之日起十五日内向商标评审委员会申请复审。商标评审委员会应当自收到申请之日起九个月内做出决定, 并书面通知申请人。有特殊情况需要延长的, 经国务院工商行政管理部门批准, 可以延长三个月。当事人对商标评审委员会的决定不服的, 可以自收到通知之日起三十日内向人民法院起诉) (please note that although the 2013 Trademark Law does not explicitly state which court hears lawsuits against the TRAB, all lawsuits against the TRAB are heard by the Beijing First Intermediate People’s Court (see Registration Flow Chart, Chinese Trademark Office, http://www.saic.gov.cn/sbjEnglish/sbsq_1/zclct).

44. *Id.* art. 14 (驰名商标应当根据当事人的请求, 作为处理涉及商标案件需要认定的事实进行认定)。

45. *Id.* art. 14 (第十四条驰名商标应当根据当事人的请求, 作为处理涉及商标案件需要认定的事实进行认定。认定驰名商标应当考虑下列因素: (一) 相关公众对商标的知晓程度; (二) 该商标使用的持续时间; (三) 该商标的任何宣传工作的持续时间、程度和地理范围; (四) 该商标作为驰名商标受保护的记录; (五) 该商标驰名的其他因素)
allowing a party to request the CTMO to determine whether a trademark is well-known if it is a material fact in an anticipated legal dispute.

IX. UNREGISTERED MARK PROTECTION

The 2013 Trademark Law establishes an opposition relative grounds based upon unregistered marks. In addition to permitting trademark opposition in association with unregistered marks, the new trademark law creates three other protections for unregistered marks.

The first protection is contained within the good faith article, which states that a trademark registration application and the use of a trademark must comply with principles of honesty and credibility. This good faith amendment increases the protection of unregistered marks because it counteracts trademark squatting. A party would violate the good faith standard in the 2013 Trademark Law by knowingly applying for a mark that is similar or identical to an unregistered mark. A party would also violate the standard by intentionally using a similar or identical mark in competition with a previous mark.

Although the two behaviors mentioned immediately above would constitute violations of the good faith article, it is unlikely that the article by itself will offer much protection to unregistered marks. The article does not state specific actions that violate good faith nor does it create penalties for violating the standard. However, it establishes a beginning to protecting unregistered marks that may be continued through subsequent regulations and possibly an SPC interpretation.

The second protection for unregistered marks provides explicit prohibitions against bad faith trademark registration. Under the 2013 Trademark Law, the CTMO shall not register a disputed trademark if it is similar or identical to an unregistered prior trademark, the marks are in the same class, and the parties had a contractual, business or other type of relationship or if the applicant of the disputed trademark knew about the prior mark. Simply put, a party that uses a prior unregistered trademark that can show either that a previous relationship existed or that the applicant knew about the trademark may be able to successfully petition the CTMO to deny a trademark application as long as the marks are in the same class.

This protection creates a clear method for unregistered trademark users to protect their marks against bad faith

46. Id. art. 7 (申请注册和使用商标，应当遵循诚实信用原则).
47. Id. art. 15 (就同一种商品或者类似商品申请注册的商标与他人在先使用的未注册商标相同或者近似，申请人与该他人具有前款规定以外的合同、业务往来关系或者其他关系而明知该他人商标存在，该他人提出异议的，不予注册).
applicants. The standard of evidence required to show a relationship between the parties will be very low. However, it is unclear how the CTMO will interpret the requirement that the applicant knew about the previous mark. If the parties did not have a relationship, and the petitioning party has to show that the applicant knew about the mark, then it may face the difficult task of collecting sufficient evidence. Nonetheless, it is very probable that the CTMO would accept inferences. For example, it may determine that the applicant knew about the mark if both parties are from the same geographical area and if the petitioning party’s mark is relatively well known.

The third protection establishes a safe harbor for unregistered mark users if another party makes a good faith application for an identical or similar trademark in association with similar goods. As China is a first-to-file country, unregistered marks cannot be afforded complete trademark protection, especially in comparison to good faith trademarks. However, because the first-to-file system has serious negative potential consequences on the users of unregistered marks, the 2013 Trademark Law provides limited protection for unregistered marks against good faith trademark owners.

The third protection states that a party that obtains a trademark registration for a trademark that is identical or similar to an unregistered mark used on the same or similar goods, when the unregistered mark was used earlier than the registered trademark, may not prohibit the unregistered mark user from using the mark.48 However, the trademark owner may request the unregistered trademark user to add an additional distinctive element to its mark in order to distinguish them.

The final protection for unregistered marks seems to establish a fair balance between the protection of trademark rights and a potential negative effect of the first-to-file system. This amendment is a positive addition to China’s trademark law. However, it remains unclear how the courts will interpret the portion of the trademark law that reads “the trademark owner may request the unregistered trademark user to add an additional distinctive element.” The word “可以”—which is the operative word in this article and directly translates as “may”—typically does not create a legal obligation. Rather, it provides an option that a party may assert if it chooses. Therefore, it is very likely that a court will not interpret this amendment to create an obligation that the unregistered mark user must alter its mark.

48. Id. art. 59 (商标注册人申请商标注册前，他人已经在同一种商品或者类似商品上先于商标注册人使用与注册商标相同或者近似并有一定影响的商标的，注册商标专用权人无权禁止该使用人在原使用范围内继续使用该商标，但可以要求其附加适当区别标识).
X. PROHIBITION OF NATIONAL WELL-KNOWN TRADEMARK INDICATIONS ON LABELING AND ADVERTISING

The 2013 Trademark Law prohibits the use of national well-known trademark indications on labeling, packaging, and advertising.49 Under the new law, national well-known trademark owners are required to modify current packaging and cease promoting their products in association with national well-known trademarks. In order to effectuate this substantial change to how companies employ their national well-known trademark status, the new trademark law states that AICs may issue a rectification order and a fine of 100,000 RMB (approx. 16,400 USD) against companies that continue to use national well-known trademark indications.50

This amendment will have significant effects on large Chinese companies. It is likely that these companies will pursue alternatives such as the use of local famous trademark status on labels, packaging, and promotions. As a result, IP attorneys in China who have large domestic clients should determine whether their clients have local famous trademarks and, if they do not, they should pursue a local famous trademark designation with the local AIC or court. Additionally, IP attorneys should also carefully monitor whether AICs issue fines against companies for continuing to use national well-known trademark indicators. It is highly likely that AICs and local courts will encounter a higher number of frivolous claims for local famous trademark determinations.

XI. ADMINISTRATIVE PROCEDURES

For attorneys in China who encounter IP issues with foreign companies, the changes made to administrative and judicial procedures may be the most important amendments of all. The 2013 Trademark Law includes several substantial improvements to China’s administrative procedures regarding trademark infringement.

The first amendment regarding administrative procedures strengthens the exclusive right to use a registered trademark. Under the new law, AICs may determine that a third party has infringed upon a trademark owner’s rights if that party


50. See id. art. 14 (违反本法第十四条第五款规定的, 由地方工商行政管理部门责令改正, 处十万元罚款).
intentionally facilitates the infringement of a trademark right or helps another party infringe the trademark right.\footnote{Id. art. 57 (有下列行为之一的，均属侵犯注册商标专用权：（一）未经商标注册人的许可，在同一种商品上使用与其注册商标相同的商标的；（二）未经商标注册人的许可，在同一种商品上使用与其注册商标近似的商标，或者在类似商品上使用与其注册商标相同或者近似的商标，容易导致混淆的；（三）销售侵犯注册商标专用权的商品的；（四）伪造、擅自制造他人注册商标标识或者销售伪造、擅自制造的注册商标标识的；（五）未经商标注册人同意，更换其注册商标并将该更换商标的商品又投入市场的：（六）故意为侵犯他人商标专用权行为提供便利条件，帮助他人实施侵犯商标专用权行为的；（七）给他人的注册商标专用权造成其他损害的) (emphasis added).}

This amendment allows AICs to punish parties involved in trademark infringement when it is unclear whether they had a direct involvement. It has a strong deterrent effect because, under the new law, parties that are relatively uninvolved in the direct infringement will increasingly hesitate to aid infringers because of the possible repercussions. Additionally, it closes a loophole where the AIC believes that there was direct infringement by multiple parties but does not have sufficient evidence against an involved party can still punish the trademark infringer for facilitating or assisting in the trademark infringement.

The second improvement to administrative procedures is that the 2013 Trademark Law sets the amounts for AIC fines against trademark infringers. Under the new law, AIC fines are determined by their discretion but limited according to the trademark infringer's illegal business revenue.\footnote{See id. art. 60.2 (工商行政管理部门处理时，认定侵权行为成立的，责令立即停止侵权行为，没收、销毁侵权商品和主要用于制造侵权商品、伪造注册商标标识的工具，违法经营额五万元以上的，可以处违法经营额五倍以下的罚款，没有违法经营额或者违法经营额不足五万元的，可以处二十五万元以下的罚款) (emphasis added).} If a trademark infringer’s illegal business revenue is less than 50,000 RMB (appx. 8,200 USD), then the AIC cannot illicit a fine of more than 250,000 RMB (appx. 41,000 USD). If the illegal business revenue is over 50,000 RMB, then the AIC may fine the trademark infringer up to five times the illegal business revenue. The reason that there is a 250,000 RMB cap for illegal revenue under 50,000 RMB is to allow the AIC to issue a serious fine while ensuring that the fine is not overwhelmingly disproportionate to the infringement.\footnote{Compare with if the new trademark law simply created a limit that an AIC cannot fine the infringer more than five times the illegal business revenue. If the illegal business revenue were merely 5,000 RMB (appx. 800 USD), then the AIC could not fine the infringer more than 25,000 RMB (appx. 4,100 USD).}

The third improvement creates enhanced penalties for repeat infringement. Under the new law, an enhanced penalty may be imposed against a trademark infringer that commits trademark infringement more than once within a five-year period or if other aggravating circumstances are present.\footnote{Id. (对五年内实施两次以上商标侵权行为或者有其他严重情节的，应当从重处罚).} Under this amendment, an enhanced penalty may be imposed even if the infringer does not
violate the rights of the same trademark twice. Rather, the infringer may receive an enhanced penalty for multiple infringement, whether of the same trademark or not. The 2013 Trademark Law leaves two questions unresolved for the implementation of enhanced penalties for repeat infringement. First, it does not define “other aggravating circumstances.” This will most likely cause disparities between AIC determinations of whether to issue an enhanced penalty. It is hoped that the CTMO will issue a regulation that addresses which specific circumstances qualify for enhanced penalties. However, this issue probably will not have a large consequence on AIC determinations because the only instances where it would come up are those in which a party has not committed trademark infringement for more than five years.

The other unresolved question is what an enhanced penalty is. The 2013 Trademark Law does not provide a clarification, nor does it use the term “enhanced penalty” in any other article. AICs will probably interpret this to mean that they may issue fines exceeding the illegal business revenue fine limits.

The fourth improvement allows AICs to suspend investigations when a rights owner files a lawsuit with a people’s court at the same time and under the same circumstances. This is an important clarification because AICs have previously been unsure of what to do when a trademark owner both files a lawsuit and requests AIC action. The amendment follows what has become general practice. AICs will typically wait for the people’s court to issue its decision. They will then act according to the court’s opinion and orders.

There is a presumption included within this improvement that the 2013 Trademark Law should have addressed. This amendment simply states that the AIC shall resume or terminate its procedures after the court makes its decision. This creates a presumption that the AIC will agree with the court’s findings and act accordingly. However, an AIC might not agree with the court, and the new law does not state whether it must follow the court’s decision. Although AICs will continue to follow court decisions in most situations, the CTMO might need to issue a regulation regarding whether or not they are bound to do so.

Finally, the 2013 Trademark Law provides that, when disputes concern values that exceed the amount of AIC damages, the parties may request an AIC to mediate or may file suit with a

55. Id. art. 62 (在查处商标侵权案件过程中, 对商标权属存在争议或者权利人同时向人民法院提起商标侵权诉讼的, 工商行政管理部门可以中止案件的查处。中止原因消除后，应当恢复或者终结案件查处程序)
people’s court. Additionally, a trademark owner may file suit if AIC mediation breaks down.

XII. JUDICIAL PROTECTIONS

The 2013 Trademark Law also makes several substantial changes to judicial procedures regarding trademark infringement. The addition of the intentional facilitation or assistance to trademark infringement for AIC actions also extends to judicial procedures. Therefore, a people’s court may find a party liable for trademark infringement if it merely facilitates or assists another party to infringe on a plaintiff’s trademark.

Perhaps the most anticipated and publicized amendment in the entire 2013 Trademark Law is the increase of the statutory damages maximum for trademark infringement by 600 percent. The 2001 Trademark law established a statutory damages cap of 500,000 RMB (apprx. 82,000 USD). The new trademark law removes this maximum and states that a people’s court may award compensation of no more than 3,000,000 RMB (apprx. 492,000 USD) when none of the following can be determined: the trademark owner’s actual losses, the trademark infringer’s actual illegal business revenue, or the licensing fee.

This substantial increase means that trademark owners that cannot establish actual damages or losses may still be entitled to up to 3,000,000 RMB in statutory damages. This is a welcome change for both foreign and domestic trademark owners because not only will it increase their recoveries, but it also sends a clear message to trademark infringers that previously incurred maximum liabilities of only 500,000 RMB due to lack of evidence.

The next amendment to judicial procedures is the addition of punitive damages. Under the new law, people’s courts may add punitive damages of up to triple the amount of actual damages if intentional infringement of an exclusive trademark right is serious. This signifies a substantial rise in the amount of damages that trademark owners might receive from trademark

56. Id. art. 60 (有本法第五十七条所列侵犯注册商标专用权行为之一, 引起纠纷的, 由当事人协商解决; 不愿协商或者协商不成的, 商标注册人或者利害关系人可以向人民法院起诉, 也可以请求工商行政管理部门处理...对侵犯商标专用权的赔偿数额的争议, 当事人可以请求进行处理的工商行政管理部门调解, 也可以依照《中华人民共和国民事诉讼法》向人民法院起诉) (emphasis added).

57. Id. art. 63.3 (权利人因被侵权所受到的实际损失、侵权人因侵权所获得的利益、注册商标许可使用费难以确定的, 由人民法院根据侵权行为的情节判决给予三百万元以下的赔偿) (emphasis added).

58. Id. art. 63.1 (侵犯商标专用权的赔偿数额, 按照权利人因被侵权所受到的实际损失确定; 实际损失难以确定的, 可以按照侵权人因侵权所获得的利益确定; 权利人的损失或者侵权人获得的利益难以确定的, 参照该商标许可使用费的倍数合理确定。对恶意侵犯商标专用权, 情节严重的, 可以在按照上述方法确定数额的一倍以上三倍以下确定赔偿数额。赔偿数额应当包括权利人为制止侵权行为所支付的合理开支) (emphasis added).
infringement lawsuits, considering they may also receive up to 3,000,000 RMB in statutory damages.

The final amendment to judicial proceedings arising out of trademark infringement focuses on the trademark owner’s burden of proof. The 2013 Trademark Law both reduces and modifies the plaintiff’s burden of proof in trademark infringement actions. According to the new law, a people’s court may order an alleged infringer to provide related accounting materials and other documents if the trademark owner has made its best efforts to produce evidence of the alleged infringer’s books and materials.59 It is typically extremely difficult for trademark owners to collect documents related to trademark infringement that are produced by the trademark infringer. In light of this difficulty, and the court’s need for related documents in order to establish infringement and damages, the 2013 Trademark Law allows courts to obtain these documents from alleged infringers.

Additionally, if an alleged infringer fails to provide the court with the requested materials or submits falsified documents, the court may determine the amount of damages by considering the documents submitted by the trademark owner. This holds the trademark owner harmless from the consequences of failing to produce evidence.

XIII. NO COMPENSATION STANDARD FOR UNUSED REGISTERED TRADEMARKS

Although the new trademark law extends and enhances protections for registered trademarks, it also includes an amendment that prevents unused registered trademark owners from receiving compensation in lawsuits.

Under the 2013 Trademark Law, an alleged infringer in a trademark infringement lawsuit may argue that the trademark owner has not used its trademark.60 Afterwards, depending on whether the people’s court believes that the alleged infringer’s assertion may be credible, the people’s court can order the trademark owner to submit evidence of actual use during the previous three years. If the trademark owner cannot prove actual use, and if it also cannot show actual losses resulting from the trademark infringement, then the people’s court may not order the infringer to compensate the trademark holder.

59. Id. art. 63.2 (人民法院为确定赔偿数额，在权利人已经尽力举证，而与侵权行为相关的账簿、资料主要由侵权人掌握的情况下，可以责令侵权人提供与侵权行为相关的账簿、资料；侵权人不提供或者提供虚假的账簿、资料的，人民法院可以参考权利人的主张和提供的证据判定赔偿数额).

60. Id. art. 64.1 (注册商标专用权人请求赔偿，被控侵权人以注册商标专用权人未使用注册商标提出抗辩的，人民法院可以要求注册商标专用权人提供此前三年内实际使用该注册商标的证据。注册商标专用权人不能证明此前三年内实际使用过该注册商标，也不能证明因侵权行为受到其他损失的，被控侵权人不承担赔偿责任).
This amendment functions to limit the extent to which registered trademark owners can pursue trademark infringers if and only if the trademark owner has not used its trademark for three or more years. This addition to China’s trademark system may appear harsh because it bars a specific group of trademark owners from receiving compensation from parties that infringe on the marks. Nonetheless, this amendment is generally fair because it provides a three-year non-use requirement. The two primary reasons for this amendment are that it promotes the use of registered marks and connects trademark infringement compensation to actual losses incurred.

**XIV. ASSIGNMENTS AND LICENSES**

The 2013 Trademark Law strengthens procedures revolving around trademark assignments and licenses. The new law creates two requirements for situations where a party assigns or licenses its marks to another party.

The first requirement states that the assignor/licensor must assign/license all other trademarks that are identical or similar and used or associated with identical or similar goods.61 This ensures that trademark owners cannot transfer one trademark, receive the royalties from the transfer, and then continue to operate under other registered trademarks that would compete with the transferred mark.

The second requirement for trademark transfers is that a trademark licensor must record the trademark license with the CTMO.62 Additionally, an unrecorded trademark license cannot function as the basis for a dispute against a third party that acted in good faith. There are two main purposes of this amendment. First, the CTMO will have a better understanding of which Chinese trademarks have been licensed. Secondly, it promotes the establishment of legal licenses because it creates the possibility that the CTMO will review the trademark license.

**XV. PASSING OFF UNREGISTERED TRADEMARKS AS REGISTERED**

This final amendment addresses the practice of presenting unregistered trademarks as registered. The 2013 Trademark Law states that an AIC may order cessation and rectification, promulgate a notice, and/or issue a fine against a party that misrepresents its unregistered trademark as possessing a Chinese

61. *Id.* art. 42.2 (转让注册商标的，商标注册人对其在同一种商品上注册的近似的商标，或者在类似商品上注册的相同或者近似的商标，应当一并转让).

62. *Id.* art. 43.3 (许可他人使用其注册商标的，许可人应当将其商标使用许可报商标局备案，由商标局公告。商标使用许可未经备案不得对抗善意第三人).
trademark registration. The AIC’s fine for passing off an unregistered mark as registered may not exceed 10,000 RMB (appx. 1,600 USD) if the illegal business revenue is less than 50,000 RMB (appx. 82,000 USD), and it cannot be over a fifth of the company’s illegal business revenue if it is more than 50,000 RMB.

The fines determined for passing off unregistered marks are closely associated with the restrictions set on trademark infringement fines. Specifically, passing off unregistered marks should generally receive a penalty that is twenty percent of the penalty for trademark infringement. Although this percentage will vary depending upon AICs’ discretion, it provides a clear indication of how AICs should compare passing off and trademark infringement.

The 2013 Trademark Law does not provide that an AIC may act against a party only if that party intends to pass off an unregistered mark. This establishes a relatively low evidentiary standard that will allow AICs to combat passing off after solely determining that it has occurred.

CONCLUSION:
CHINA PUSHES FORWARD

Chinese intellectual property law is developing at an incredible rate. Despite its contemporary beginnings, China’s trademark law has undergone substantial revisions during the past twenty years that have brought it increasingly closer to international practices. A close comparison of the various Chinese trademark laws beginning with the 1982 Trademark Law to the 2001 Trademark Law shows the extent to which China has developed its trademark system. The implementation of the 2013 Trademark Law signifies another great leap toward a harmonized and fair trademark system in the world’s largest developing economy.

The third revision of the Trademark Law makes many substantial changes to trademark practice in Mainland China, such as those to CTMO and TRAB proceedings, AIC penalties, and court procedures. The CTMO and TRAB time limits substantially increase satisfaction with the trademark system, and trademark agency restrictions ensure higher quality standards for the organizations that support the trademark application process.

63. Id. art. 52 (将未注册商标冒充注册商标使用的，或者使用未注册商标违反本法第十条规定的，由地方工商行政管理部门予以制止，限期改正，并可以予以通报，违法经营额五万元以上 的，可以处违法经营额百分之二十以下的罚款，没有违法经营额或者违法经营额不足五万元的，可以处一万元以下的罚款).

64. See id.
The majority of the 2013 Trademark Law amendments improve the circumstances surrounding trademarks for foreign companies. Foreign trademark owners that have not yet registered their trademarks in China are provided relative grounds for trademark opposition. The expansion of China’s trademark scope to sound marks especially benefits foreign companies because many of the sound marks in the Chinese market originate from overseas companies. Foreign multinationals generally apply for trademarks in many classes and, as a result, will benefit from the multiple class registration amendment. It goes without saying that foreign companies are thrilled that the 2013 Trademark Law increases statutory damages from 82,000 USD to 492,000 USD.

Many of the amendments in the 2013 Trademark Law will create a regulatory and judicial fervor over the specific methods of implementing China’s new trademark law. It is also difficult for IP attorneys to gauge how to best serve their clients before the dust settles. A comprehensive understanding of the 2013 Trademark Law is essential to effective trademark attorneys in China given the scale of administrative, judicial, and local regulations that will follow in the wake of China’s new trademark law.