



## Featured Article

# Draft Amendment to the Trademark Law Strengthens Use Obligation - Will this change the game?

The current Trademark Law of China does not require the trademark registrant to provide statement of use or use evidences for its registered trademarks. In order to further crack down on trademark hoarding and other malicious activities, the CNIPA made a significant change under the Draft Amendment to the Trademark Law of PRC (Draft for Comments released on January 13, 2023, the "Draft") is the requirement of use, i.e., "submitting statement of use of trademarks within 12 months after each 5 years since a trademark is registered, but did not specify the implementation rules. This article will give a preliminary discussion in combination with the "Post Registration Audit Program " of the United States and the practice of trademark prosecution in China.

China adopts the “First-to-file” principle for trademark registration, that is, the trademark authority approves the trademark application submitted earlier, and rejects the later-filed one. Besides, the applicant does not need to provide use evidences or declare the intention of use when filing the trademarks. After the trademark is successfully registered, the trademark registrant also does not need to explain or prove the actual use of the registered trademark, except that others initiate a three-year non-use cancellation action. In recent years, with the prevalence of hoarding trademarks and seizing trademark resources, it is quite necessary to clean up "zombie" trademarks, release idle trademark resources and solve the problem of how to enable the business entities that really require protection of trademarks to obtain registrations. According to the latest data released by the CNIPA, as of November 2022, the number of effective trademark registrations in China reached 42.337 million, but a large number of trademarks were "not in actual use" <sup>1</sup>, which made it increasingly difficult for enterprises to obtain trademark registrations, and also wasted administrative resources and applicants' time and money. In order to guide trademark registration to return to the origin of "registration for use," a significant change made under the Draft Amendment to the Trademark Law of PRC (Draft for Comments released on January 13, 2023,

the "Draft") is the requirement of use, i.e., "submitting statement of use of trademarks within 12 months after each 5 years since a trademark is registered," in order to create an order of "applications on demand", control the number of trademarks, pay more attention to use and clear up trademark idleness.

Proposed Article 61 of the Draft stipulates:

#### **Article 61 [Description of Trademark Use]**

The trademark registrant shall, within twelve months after every five years from the date of approval of the registration of the trademark, explain to the administrative department of intellectual property under the State Council the use of the trademark on the approved goods or justifiable reasons for non-use. The trademark registrant may make a statement concerning the use of multiple trademarks within the above-mentioned period.

If no statement is made at the end of the period, the administrative department of intellectual property under the State Council shall notify the trademark registrant. If the trademark registrant fails to make a statement within six months from the date of receipt of the notification, the registered trademark shall be deemed abandoned and the registered trademark shall be cancelled by the administrative

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<sup>1</sup> Notes on the Revised Draft of the Trademark Law of the People's Republic of China (Draft for Comments)

on January 13, 2023

department of intellectual property under the State Council.

The administrative department of intellectual property under the State Council shall conduct random inspections of the authenticity of the statements, and if necessary, may require the trademark registrant to add relevant evidence or commission the local administrative department of intellectual property to verify. If, upon random inspection, the statement is found to be not true, the administrative department of intellectual property under the State Council shall revoke the registered trademark.

As far as the author knows, the provisions on the submission of use statement (or oaths) after the trademark is registration are mostly set in countries that implement the "first-to-use" principle, such as the United States, the Philippines, Argentina, Cambodia, etc. Taking the United States as an example, whether it is a national or Madrid registration, the trademark registrant must submit a statement of use and evidences of use within the period of 5 to 6 years from the date of registration, otherwise the trademark registration will face the risk of being revoked. However, the "specimens", such as labels, tags, commercial packaging, etc. could be easily forged in practice. In order to combat false evidences of use, the USPTO launched the Post Registration Audit Program in 2017, specifying the evidence requirements and

procedures. According to official statistics, more than 50% of the sampled trademarks were cancelled or deleted<sup>2</sup>. This system undoubtedly challenges the trademark registrant how to use and maintain the trademark, and the competent authority how to monitor and manage the trademark.

In view of the fact that the proposed Article 61 does not clearly stipulate the specific requirements for explaining the use of trademark, examination criteria of use evidences after the random inspection, etc. With reference to the "Post Registration Audit Program" and the practice of trademark prosecution in China, the following considerations regarding the proposed Article 61 shall be taken.

### 1、 Proper ways to explain the use of trademark

If the "explanation of use" is implemented in a simple way such as "letter of commitment, description form", or if the registrant is allowed to make an explanation of use for multiple trademarks, it will not increase the burden of the trademark registrants, but the actual effects will be hardly to control. That is to say, as long as the trademark registrant completes the formal requirements in time, most trademarks whose actual use is not truthfully explained will still be registered. As mentioned above, even though the USPTO has implemented the model of "statement of use+ use evidence+payment

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<sup>2</sup> <https://www.uspto.gov/trademarks/maintain/post->

of official fee", the proportion of trademark registrants' false statements is still high, which shows that the provisions in this article will also face a high impracticable risk. It may be advisable to require preliminary evidences for use of at least one designated goods or services of the trademark, so as to promote the registrant to treat this provision more seriously and rigorously, seeking a maximum balance between "not increasing registrant burden" and "promoting trademark use".

## 2、 Examination on "justifiable reasons for non-use"

The "justifiable reasons for non-use" stipulated in the Regulations on the Implementation of Trademark Law are mainly used in cancellation cases, which refer to the justifiable reasons that cannot be attributed to the trademark registrants. In practice, the examination standards are relatively strict<sup>3</sup>. In combination with the Guidelines for Trademark Review and Trial, "applying for the same or similar trademarks (defensive trademarks) with its registered trademark logo based on defensive purposes" and "applying for a proper amount of trademark (investment trademarks) in advance for the future business with realistic expectations" do not belong to the scope of "malicious intent". In practice, the use of defensive trademarks and investment trademarks by enterprises

<sup>3</sup> <https://mp.weixin.qq.com/s/JCuYxQUBQHZCSDPnWt8fWQ>

<sup>4</sup> <https://www.uspto.gov/trademarks/maintain/post->

is usually different from that of ordinary trademarks, so can the "non-use" of these two kinds of trademarks be regarded as a "justifiable reason"? The author believes that the legislative intention of this proposed Article is to "strengthen the trademark use obligation and guide the trademark registration to return to the origin of the system". Therefore, it is suggested to refine the "justifiable reasons for non-use", such as the products being developed or designed, discussing cooperation with distributors, completion of product testing, preparation for actual operation, and the defensive or investment trademarks, etc. so that the registrants can manage their registered trademarks more reasonably.

## 3、 Operation details of "random inspection"

The method and proportion of random inspection will also affect the trademark registrants' seriousness in treating the use explanation and evidence. With reference to the USPTO's practice, the registration includes at least one class with four or more goods/services or includes at least two classes with two or more goods/services may be audited<sup>4</sup>. Whereas in China, due to the consideration of additional official fees and expansion of the scope of protection, the common practice of filing trademark applications is the model of ore

registration-audit-program

goods/services+goods/services of different subclasses". Therefore, the designated goods/services of most registrations may exceed the registrants' actual demand of use, and the practice of USPTO may not be feasible in China. The audited trademarks could be determined from the perspectives of the scale and business scope of the registrant, the total amount and covered classes of registered trademarks under its name, the number of opposition, cancellation, invalidation action or litigation filed by others, etc. And an appropriate random inspection can be carried out for registered trademarks that do not have the above conditions, so as to more accurately combat the phenomenon of "trademark registrations without actual use", and encourage normal producers and operators to actively use their registered trademarks.

#### 4、 Examination on use evidences after random inspection

The evidences more recommended by the USPTO include "product photos, packages, tags with trademark logo" or "web pages with ordering information". However, such evidences are usually recognized as self-made evidences by the CNIPA. Although it is recognized that attaching the trademarks to products, packages, labels, price lists, etc. is one of the specific forms of trademark use, in non-use cancellation cases, they are rarely regarded as effective

evidence uses alone. China attaches more attention to the evidence form of "contract+invoice", and the examination criteria for the integrity of the evidence chain is also becoming stricter. Therefore, it is also worth discussing how to examine "use evidences" submitted after the random inspection. Considering the original intention of the procedure setting, the use requirements of this article should be lower than those of the cancellation cases. The materials include real product photos, packaging, sales links, official websites, shop photos, etc. are recommended as acceptable use evidences, as long as the materials provided by the registrant are authentic and can preliminarily prove the actual use of the trademark.

The proposed article is still at the stage of soliciting opinions, but it is not difficult to see the strength and determination of the trademark authority to guide the trademark registration to return to "registration for use". The proposal of Article 61 also further reminds the registrant to pay more attention to the actual use and real needs of the trademarks under its name, retain relevant use evidences, and reasonably plan the trademark layout. At the same time, I believe that the real implementation of this provision will also release a lot of trademark resources, which is conducive to the establishment of a more active, healthy and orderly trademark registration environment.

*The "Featured article" is not equal to legal opinions.*

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Since October 2013, Ms. Liu has been working on cases of trademark search, application, refusal review, opposition, invalidation action, and other non-litigation business for foreign clients, and has abundant experience in copyright registration, customs recordal, raid action, etc. Since obtaining the lawyer's qualifications in 2017, she has actively represented clients in trademark administrative and civil litigations and has handled more than 100 administrative litigations so far. The typical cases represented include: Molex v. CNIPA (invalidation action); Mettler Toledo v. CNIPA (cancellation review); China Railway v. CNIPA (representing CRH as a third party, cancellation review); AIH v. CHINA (representing Suavinex as a third party, invalidation actions); Her participated case "' JCB' Gasoline Hammers Customs inspection" was selected as one of the Notable Cases (2018-2019) by China Trademark Association. She is particularly good at analysis of case details, flexible case settlement, and voluntary communication with clients. With overall consideration of the client's requirements, she is able to provide professional and thorough legal service in the trademark area.