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IP UPDATE



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The Amended Trademark Law in China

The Trademark Laws of the PRC have recently been further amended (amendments enacted on 23rd April 2019 and will come into effect on 1st November 2019). The amendments are seen to be a further step taken by the Chinese Government to combat the problem of bad faith filings and trademark infringement in China.

I. AMENDMENTS TO CURB BAD FAITH FILINGS

One of the most important amendments made is the codification of the prohibition against bad faith filings in China. Article 4 is amended to specifically state that “*applications for trademark registrations in bad faith which are not intended for use shall be refused*”. This is in fact in line with the growing practice for the China National Intellectual Property Administration (CNIPA) to pro-actively reject bad faith applications during the examination stage.

The requirement of “intention to use” the trademark is also further elaborated under the *Guidelines for the Trial of Trademark Right Granting and Verification Cases* issued by the Beijing High People’s Court one day after the enactment of the amendments. The following will be deemed as a violation of Article 4:-

1. Applying for marks that are identical with or similar to the trademarks of different subjects with certain fame or higher distinctiveness, and the situation is serious;
2. Applying for marks that are identical with or similar to the trademark of the same subject with certain fame or higher distinctiveness, and the situation is serious;

3. Applying for marks that are identical with or similar to any other commercial signs (other than trademarks), and the situation is serious;

4. Applying for marks that are identical with or similar to any name of place, scenic spot, building and others with certain popularity, and the situation is serious;

5. Applying for registration of a large number of trademarks without good reasons.

While there is still uncertainty as to how Article 4 may be interpreted, this is a good indication of the intention to fight against bad faith filings.

As a side note, there is a concern if defensive filings may accidentally be caught by Article 4, as the same match with “not intended to use”. That said, given that the amendments are aimed at enhancing the protection to right holders, and there is a pre-requisite of “bad faith” for an application to be caught by Article 4, this should not be something that the legitimate right holders shall worry about. We should stay tuned as to how the amendment is to be implemented in practice.

II. BAD FAITH AS BASIS OF OPPOSITION AND INVALIDATION

The consequential amendments to Article 33 and Article 44 will allow **any person** to file opposition/invalidation on the ground of bad faith, i.e. Article 4.

It should especially be noted that prior to the amendments, right holders in most of the cases would have to establish their "prior rights" in China to file opposition/invalidation against bad faith filings, or else opposition/invalidation may even be not accepted as the right holders may not be regarded as an "interested party" in the corresponding opposition/invalidation. Right holders without relevant registered marks or use evidence of the corresponding marks in China may lack standing to even try initiating opposition/invalidation. With the amendments, right holders will be equipped with a further weapon and ground to commence opposition/invalidation against bad faith filings. This should be a welcoming development which strengthens the protection to right holders who may not have "prior rights" in China.

That said, the loosening of requirement to launch opposition may also lead to an increased number of malicious oppositions filed against right holders' applications. We would expect rules and guidelines on how opposition pursuant to Article 4 may be accepted after the amendments come into force in November 2019.

III. LIABILITY ON TRADEMARK AGENCIES TO ASSIST BAD FAITH FILINGS AND LAWSUITS

It is also expressly prohibited by the amendments for trademark agencies to assist in bad faith filings - Article 19 provides that "trademark agency is forbidden to represent the client where it knows or should know the trademark to be filed for registration by such client falls under the circumstances prescribed in [Article 4](#)...".

Further, the assistance of bad faith filings in violation of Article 4 or Article 19 is also included as a new situation where administrative penalty such as warning and a maximum fine of RMB100,000 (around USD150,000) may be levied. The trademark agency's person in charge and other directly responsible personnel may also be fined up to RMB50,000 (around USD7,500).

Further, an intention to deter trademark agencies from giving assistance to commence malicious trademark lawsuits can also be seen by the addition of the paragraph "*for a bad faith suit*

over a trademark, the people's court shall impose punishment according to the law" to Article 68. Although the wordings of the paragraph are vague and there is currently no clear definition of "bad faith suit over a trademark", the amendment is believed to be directed at trademark infringement actions commenced by trademark squatters against right holders to force settlement payment.

IV. ENHANCED PROTECTION AGAINST TRADEMARK INFRINGEMENT

The amendments also provide enhanced protection to right holders against trademark infringement by increasing the statutory damages and codifying the power of the Court to order a destruction of the counterfeits and their production tools and materials.

In particular, it is provided under Article 63 that:-

1. Where the infringement involves bad faith, the maximum amount of damage imposed may be five times as opposed to three times of the amount assessed with reference to the losses suffered by the right holder, the profits the infringer has earned, or the fees of licensing a registered trademark of the right holder.
2. Where it is difficult to determine the amount of damages by the above assessment, the maximum amount of statutory damages is increased from RMB3million (around USD 450,000) to RMB5million (around USD750,000).

Further, it is also added to Article 63 that the Court may order destruction of the counterfeit products as well as the manufacturing materials and tools. Prohibition can also be imposed on the infringers from putting the counterfeit products and the manufacturing materials and tool back into commercial circulation.

WAYS FORWARD

The amendments generally codify recent practice of courts and administrative authorities in dealing with bad faith filers and trademark infringers, and are positive moves to encourage consistent application of such practice by examiners and judges. We will keep you posted on any implementing rules and regulations on how the amendments are to be implemented.