

# Legal Commentary

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## Intellectual Property Law

### Amended Trademark Law: Combat Misconduct, Increase Compensation

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On April 23, 2019, a decision amending the *Trademark Law of the People's Republic of China* (the “**Trademark Law**”) was adopted at the Tenth Meeting of the Standing Committee of the Thirteenth National People's Congress. Amended provisions of the Trademark Law will come into effect on November 1, 2019. This is the fourth time the Trademark Law has been amended, following amendments in 1993, 2001 and 2013.

This amendment primarily involves three aspects and revisions to six articles. Overall, the amendment tends to strengthen intellectual property protections, combat malicious registration of trademarks not for real use, improve the remedy system for malicious registration and malicious litigation, and increases the amount of compensation for trademark infringement, especially malicious infringement of trademark rights. The costs of violating the law are clearly increased, which will act to deter malicious registration, malicious litigation and malicious infringement. This article briefly introduces the key details of the amendment for your reference.

#### I. Combating malicious trademark registrations

A prominent problem currently existing in practice is that substantial trademark squatting and hoarding activities which lack real uses have made it difficult to protect domestic emerging enterprise brands and present obstacles for the entry of foreign brands into China. For these reasons, rights holders have had to spend substantial sums to buy the brands created by themselves from trademark squatters.

In most previous cases, such circumstances have been governed in accordance with Article 44 of the Trademark Law, which provides that dispute procedures to invalidate trademarks can be initiated only once a trademark has been approved for registration. In case trials, there are relatively high requirements for the number of trademarks squatters have registered and for the public profiles in China of rights holders' trademarks. These factors greatly increase the cost and risk for brand rights holders to protect their rights, and are also not conducive to effectively curbing the malicious registration of trademarks.

In recent years, the courts and the Trademark Office of the State Intellectual Property Office have begun to explore pre-examinations of such circumstances, that is, at the preliminary examination stage, to directly refuse “large quantities of trademark registration applications that have no actual intended use and are for illegitimate purposes.” This amendment to the Trademark Law provides a clear legal basis for combating malicious registrations in four aspects: the initial examination process, trademark agency process, and in trademark application opposition and invalidation procedures. It is good news for reputable business operators that legal protections are now provided in full aspects, from applications and regulating agents to authorization and dispute resolution.

Specifically, the amended Article 4 of the Trademark Law adds that “malicious applications to register trademarks not intended for use shall be refused,” which gives examiners the right to voluntarily refuse applications at the preliminary examination stage. Article 19, para. 3 increases the obligations of trademark agents to review applications, and stipulates that agents may not accept malicious applications to register trademarks not intended for use. Articles 33 and 44 together provide for this circumstance as a reason for filing an opposition or invalidation. The amended Trademark Law can be seen as establishing a comprehensive system to combat malicious squatting and hoarding of trademarks, and this system can be described as interlocking with multiple levels of supervision.

Naturally, application of the amended Article 4 of the Trademark Law and the applicable procedures and circumstances will be further clarified in relevant supporting laws and regulations, judicial interpretations or examination guidelines. In general, we believe that “malicious applications to register trademarks not intended for use” should at least include: applying for the same or similar trademarks as the trademarks of different entities which have a certain familiarity with the public or relatively strong distinctiveness, and the application involves large quantities of trademarks or involves other serious circumstances; applying for the same or similar trademarks as the same entity’s trademarks which have a certain familiarity with the public or relatively strong distinctiveness, and the application involves large quantities of trademarks or involves other serious circumstances;; and applying to register the same or similar trademarks as others which have certain influence in the categories that are far beyond the applicant’s business scope.

## **II. Punishing malicious registration and malicious litigation**

The amendment not only stipulates strict examination procedures during the trademark rights confirmation process, it also stipulates punishment during rights confirmation and litigation procedures.

The amended Trademark Law stipulates punishments for trademark agents who violate the amended Article 4 in Article 68, para. 1, clause 3, and also adds punishment provisions in Article 68, para. 1, clause 4. The first half of paragraph 4 stipulates that the competent authorities will impose “administrative penalties such as warnings and fines ... according to the circumstances” for malicious applications for registration, and the latter half stipulates “the People’s Court shall impose a penalty” for malicious trademark litigation.

The Supreme People’s Court has previously found that maliciously obtaining and using trademark rights to seek illegitimate gains was not protected under the law, in trademark infringement dispute case *Zui Gao Fa Min Zai* [2018] No. 396 (one of the 2018 top ten intellectual property rights cases in China). It can

thus be seen that the new amendment to Trademark Law and this guiding case are of great significance in establishing sound and orderly trademark system, purifying the market environment, and curbing the use of unfairly obtained trademark rights in malicious litigation.

### **III. Increased compensation for trademark infringement**

Another highlight of the new amendment is the increase in compensation for trademark infringement. Article 63 of the amended Trademark Law amends the method for calculating compensation in cases of malicious infringement of trademark rights from “more than one and less than three times” to “more than one and less than five times”. The maximum amount of statutory compensation has been raised from the original RMB “three million” to RMB “five million”. The amendments to these clauses reflect further increases in punitive damages for intellectual property infringement.

In recent years, the courts, the State Intellectual Property Office and other departments and leaders at all levels have been implementing and emphasizing punitive damage systems for intellectual property rights to effectively curb intellectual property rights infringement. It is foreseeable that the cost of intellectual property rights infringement will continue to increase in the future. Malicious trademark infringers may find themselves “ruined with nowhere to go”. This is more good news for reputable business operators. Now more than ever, it is increasingly meaningful for business operators in China to actively design and establish their own intellectual property systems, timely and effectively discover infringement and vigorously take action to defend their rights.

**Annex: Comparison Table of Provisions before and after the revision of PRC Trademark Law<sup>1</sup>**

<p><b>PRC Trademark Law in effect in China</b></p>	<p><b>Amended PRC Trademark Law (Revised at the 10th meeting of the 13th National People's Congress Standing Committee on April 23, 2019)</b></p>
<p>Article 4 Any natural person, legal person, or other organization that needs to acquire the exclusive right to the use of a trademark for the goods or services it or he provides shall file an application for registration of the trademark with the Trademark Office.</p> <p>Provisions regarding the goods trademarks in this Law shall be applicable to service trademarks.</p>	<p>Article 4 Any natural person, legal person, or other organization that needs to acquire the exclusive right to the use of a trademark for the goods or services it or he provides shall file an application for registration of the trademark with the Trademark Office. <b>Malicious applications to register trademarks not intended for use shall be refused.</b></p> <p>The provisions of this Law on trademarks for commodities shall apply to service marks.</p>
<p>Article 19 Trademark agencies shall handle trademark registration applications or any other trademark matters by adhering to the principle of honesty and trustworthiness, complying with laws and administrative regulations, and in accordance with the entrustment of the entrusting party, and shall keep confidentiality of the entrusting party's commercial secrets which they become aware of in the course of handling the entrusted matters.</p> <p>Where the trademark to be registered by the entrusting party falls under the scope stipulated by this Law in which registration is not allowed, the trademark agency shall notify the entrusting party clearly.</p> <p>Where a trademark agency is or should be aware that the trademark to be registered by the entrusting party falls under the circumstances stipulated in Article 15 and Article 32 of this Law, it shall not accept the entrustment for registration application.</p>	<p>Article 19 Trademark agencies shall handle trademark registration applications or any other trademark matters by adhering to the principle of honesty and trustworthiness, complying with laws and administrative regulations, and in accordance with the entrustment of the entrusting party, and shall keep confidentiality of the entrusting party's commercial secrets which they become aware of in the course of handling the entrusted matters.</p> <p>Where the trademark to be registered by the entrusting party falls under the scope stipulated by this Law in which registration is not allowed, the trademark agency shall notify the entrusting party clearly.</p> <p>Where a trademark agency is or should be aware that the trademark to be registered by the entrusting party falls under the circumstances stipulated in <b>Article 4</b>, Article 15 and Article 32 of this Law, it shall not accept the entrustment for registration application.</p>

<sup>1</sup> [http://www.npc.gov.cn/npc/xinwen/2019-04/23/content\\_2086193.htm](http://www.npc.gov.cn/npc/xinwen/2019-04/23/content_2086193.htm)

<p>The trademark agency shall not apply for registration of any other trademark except the trademark that it is entrusted to register.</p>	<p>The trademark agency shall not apply for registration of any other trademark in addition to the trademark registration as entrusted.</p>
<p>Article 33 After a trademark that has undergone preliminary examination has been given approval and announced, a prior rights holder or a party having an interest in the trademark who holds that the trademark violates the provisions of the second and third paragraphs of Article 13, Article 15, the first paragraph of Article 16, Article 30, Article 31 and Article 32 of this Law, or any person who holds that the trademark violates the provisions of Article 10, Article 11 and Article 12 of this Law may raise an objection against the trademark with the Trademark Office within three months from the date of announcement. Where no objection is raised at the expiration of the time limit, the trademark shall be registered upon approval, a trademark registration certificate shall be issued, and the matter shall be announced.</p>	<p>Article 33 After a trademark that has undergone preliminary examination has been given approval and announced, a prior rights holder or a party having an interest in the trademark who holds that the trademark violates the provisions of the second and third paragraphs of Article 13, Article 15, the first paragraph of Article 16, Article 30, Article 31 and Article 32 of this Law, or any person who holds that the trademark violates the provisions of Article 4, Article 10, Article 11, Article 12 or paragraph 4 of Article 19 of this Law may raise an objection against the trademark with the Trademark Office within three months from the date of announcement. Where no objection is raised at the expiration of the time limit, the trademark shall be registered upon approval, a trademark registration certificate shall be issued, and the matter shall be announced.</p>
<p>Article 44 Where a trademark is registered in violation of the provisions of Article 10, 11, or 12 of this Law, or it is registered by deceitful or other illegitimate means, the Trademark Office shall declare the trademark invalid. Any unit or individual may request that the Trademark Review and Adjudication Board to make a ruling to declare such registered trademark invalid.</p> <p>Where the Trademark Office has made a ruling to cancel a registered trademark, it shall notify the party concerned in writing. Where a party concerned disagrees with the ruling of the Trademark Office, it may apply to the Trademark Review and Adjudication Board for review within 15 days from the date of receipt of the notice. The Trademark Review and Adjudication Board shall make a ruling either to maintain or to revoke a registered trademark within nine months from the date of receipt of the application, and shall notify</p>	<p>Article 44 Where a trademark is registered in violation of the provisions of Article 4, Article 10, 11, or 12 or paragraph 4 of Article 19 of this Law, or it is registered by deceitful or other illegitimate means, the Trademark Office shall declare the trademark invalid. Any unit or individual may request that the Trademark Review and Adjudication Board make a ruling to declare such registered trademark invalid.</p> <p>Where the Trademark Office has made a ruling to cancel a registered trademark, it shall notify the party concerned in writing. Where a party concerned disagrees with the ruling of the Trademark Office, it may apply to the Trademark Review and Adjudication Board for review within 15 days from the date of receipt of the notice. The Trademark Review and Adjudication Board shall make a ruling either to maintain or to revoke a registered trademark within nine months from the</p>

<p>the party concerned in writing. Such review period may be extended for three months upon approval of the industry and commerce administration department of the State Council under special circumstances. Where the party is dissatisfied with the ruling of the Trademark Review and Adjudication Board, he may, within 30 days from the date the notification is received, bring a suit in a People's Court.</p> <p>After receiving the application for a ruling from other units or individuals, the Trademark Review and Adjudication Board shall notify the parties concerned in writing and ask them to put forward their arguments within a specified time limit. The Trademark Review and Adjudication Board shall make a ruling either to maintain or to revoke a registered trademark within nine months from receipt of the application, and shall notify the party concerned of the ruling in writing. Such review period may be extended for three months upon approval of the industry and commerce administration department of the State Council under special circumstances. Where the party is dissatisfied with the ruling of the Trademark Review and Adjudication Board, he may, within 30 days from the date the notification is received, bring a suit in a People's Court. The People's Court shall notify the other party involved in the trademark adjudication proceedings to take part in the legal proceedings as the third party.</p>	<p>date of receipt of the application, and shall notify the party concerned in writing. Such review period may be extended for three months upon approval of the industry and commerce administration department of the State Council under special circumstances. Where the party is dissatisfied with the ruling of the Trademark Review and Adjudication Board, he may, within 30 days from the date the notification is received, bring a suit in a People's Court.</p> <p>After receiving the application for a ruling from other units or individuals, the Trademark Review and Adjudication Board shall notify the parties concerned in writing and ask them to put forward their arguments within a specified time limit. The Trademark Review and Adjudication Board shall make a ruling either to maintain or to revoke a registered trademark within nine months from receipt of the application, and shall notify the party concerned of the ruling in writing. Such review period may be extended for three months upon approval of the industry and commerce administration department of the State Council under special circumstances. Where the party is dissatisfied with the ruling of the Trademark Review and Adjudication Board, he may, within 30 days from the date the notification is received, bring a suit in a People's Court. The People's Court shall notify the other party involved in the trademark adjudication proceedings to take part in the legal proceedings as the third party.</p>
<p>Article 63 The amount of compensation for infringement of the exclusive right to the use of a trademark shall be the amount of the losses that the infringed has suffered as a result of the infringement. Where the losses suffered by the infringed as a result of the infringement is hard to determine, the compensation shall be the amount of the profits that the infringer has earned as a result of the infringement; Where the profits earned by the infringer or the losses suffered by</p>	<p>Article 63 The amount of compensation for infringement of the exclusive right to the use of a trademark shall be the amount of the losses that the infringed has suffered as a result of the infringement. Where the losses suffered by the infringed as a result of the infringement is hard to determine, the compensation shall be the amount of the profits that the infringer has earned as a result of the infringement; Where the profits earned by the infringer or the losses suffered by</p>



the infringed as a result of the infringement are hard to determine, the compensation shall be reasonably determined to be an amount in multiple of the license rate of the said trademark. Where the exclusive rights to use trademarks is maliciously infringed, if the case is serious, the compensation shall be an amount of more than one and less than three times of the amount determined in accordance with the method stated in preceding sentences. The compensation shall include any reasonable expenses the infringed has paid in its effort to put an end to the infringement.

In order to determine the compensation amount, People's Court may order the infringer to provide accounts books and materials relating to the infringement where the infringed has fulfilled its burden of proof and the key accounts books and materials relating to the infringement are possessed by the infringer; where the infringer fails to provide accounts books and materials as requested or provides false accounts books and materials, the People's Court may determine the compensation amount with reference to the assertion of the infringed and the evidence provided by the infringed .

Where the profits earned by the infringer or the losses suffered by the infringed as a result of the infringement or the license rate of the concerned trademark, as mentioned in the preceding paragraph, are hard to determine, the People's Court shall, on the basis of the circumstances of the infringement, decide to make it not more than RMB 3,000,000 yuan.

the infringed as a result of the infringement are hard to determine, the compensation shall be reasonably determined to be an amount in multiple of the license rate of the said trademark. Where the exclusive rights to use trademarks is maliciously infringed, if the case is serious, the compensation shall be an amount of more than one and less than **five times** of the amount determined in accordance with the method stated in preceding sentences. The compensation shall include any reasonable expenses the infringed has paid in its effort to put an end to the infringement.

In order to determine the compensation amount, People's Court may order the infringer to provide accounts books and materials relating to the infringement where the infringed has fulfilled its burden of proof and the key accounts books and materials relating to the infringement are possessed by the infringer; where the infringer fails to provide accounts books and materials as requested or provides false accounts books and materials, the People's Court may determine the compensation amount with reference to the assertion of the infringed and the evidence provided by the infringed .

Where the profits earned by the infringer or the losses suffered by the infringed as a result of the infringement or the license rate of the concerned trademark, as mentioned in the preceding paragraph, are hard to determine, the People's Court shall, on the basis of the circumstances of the infringement, decide to make it not more than **RMB 5,000,000** yuan.

**In handling a trademark dispute, the People's Court shall, at the request of the right holder, order the destruction of the goods bearing counterfeit registered trademarks, except under special circumstances; order the destruction of materials and tools used primarily for the manufacture of goods bearing counterfeit registered trademarks**

	<p>without compensation; or, under special circumstances, issue an order to prohibit without compensation the aforementioned materials and tools from entering commercial channels.</p> <p>Goods bearing counterfeit registered trademarks may not enter commercial channels after merely removing the counterfeit registered trademarks.</p>
<p>Article 68 Where a trademark agency commits any of the following acts, the administration for industry and commerce shall order it to make correction within a stipulated period and give a warning and impose a fine of over RMB10,000 and less than RMB100,000. In addition, a warning shall also be given to person(s)-in-charge who is/are directly responsible for the matter and other directly accountable personnel of the agency and a fine of over RMB5,000 and less than RMB50,000 shall be imposed on them. Where the violation constitutes a breach under criminal law, the violating agency shall be held liable for criminal liabilities in accordance with the law:</p> <p>(1) forge or alter or use forged or altered legal documents, seals or signatures in the course of handling trademark matters;</p> <p>(2) solicit trademark agency business by defaming other trademark agencies, etc. or otherwise disrupt the order of the trademark agency market; or</p> <p>(3) violate the third and/or fourth paragraph of Article 19 of this Law.</p> <p>Where a trademark agent commits any of the above-mentioned acts, a record shall be entered into the credit file of the administration for industry and commerce; in serious cases, the Trademark Office and the Trademark Review and Adjudication Board may rule to suspend the handling of trademark matters for the violating agency, and an announcement shall be made.</p> <p>A trademark agency shall bear civil liabilities pursuant to the law if it violate the principles of</p>	<p>Article 68 Where a trademark agency commits any of the following acts, the administration for industry and commerce shall order it to make correction within a stipulated period and give a warning and impose a fine of over RMB10,000 and less than RMB100,000. In addition, a warning shall also be given to person(s)-in-charge who is/are directly responsible for the matter and other directly accountable personnel of the agency and a fine of over RMB5,000 and less than RMB50,000 shall be imposed on them. Where the violation constitutes a breach under criminal law, the violating agency shall be held liable for criminal liabilities in accordance with the law:</p> <p>(1) forge or alter or use forged or altered legal documents, seals or signatures in the course of handling trademark matters;</p> <p>(2) solicit trademark agency business by defaming other trademark agencies, etc. or otherwise disrupt the order of the trademark agency market;</p> <p>(3) violate the Article 4 and/or third and/or fourth paragraph of Article 19 of this Law; or</p> <p>(4) For malicious registration of trademarks, administrative penalties such as warnings and fines shall be given according to the circumstances; if a trademark lawsuit is filed for malicious purposes, the People's Court shall impose a penalty according to law.</p> <p>Where a trademark agent commits any of the above-mentioned acts, a record shall be entered into the credit file of the administration for industry and commerce; in serious cases, the Trademark</p>



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<p>honesty and trustworthiness and harms the legitimate interests of an entrusting party, and shall be punished by the trademark agency industry organization pursuant to the provisions of its articles of association.</p>	<p>Office and the Trademark Review and Adjudication Board may rule to suspend the handling of trademark matters for the violating agency, and an announcement shall be made.</p> <p>A trademark agency shall bear civil liabilities pursuant to the law if it violate the principles of honesty and trustworthiness and harms the legitimate interests of an entrusting party, and shall be punished by the trademark agency industry organization pursuant to the provisions of its articles of association.</p>
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## ***Important Announcement***

This Legal Commentary has been prepared for clients and professional associates of Han Kun Law Offices. Whilst every effort has been made to ensure accuracy, no responsibility can be accepted for errors and omissions, however caused. The information contained in this publication should not be relied on as legal advice and should not be regarded as a substitute for detailed advice in individual cases.

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