

Effective November 1: Amendment of PRC Trademark Law Aims to Combat Bad Faith Applications

October 29, 2019 – The TMCA

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On April 23, 2019, the Standing Committee of the National People's Congress of the People's Republic of China promulgated the fourth revision of the *Trademark Law of the People's Republic of China* which will come into effect on November 1, 2019. This is the fourth amendment of the *PRC Trademark Law* after the amendments made in the years of 1993, 2001 and 2013.

The PRC Trademark Office (the "TMO") receives millions of trademark applications each year. In 2018 alone, more than seven million trademark applications were filed in China. However, many of those applications were filed by applicants with no the intent to use contrary to the requirement under Article 4 of the *PRC Trademark Law*, such as bad faith applications filed by trademark squatters or trademark hoarding for purposes of resale. To combat this problem and as part of China's escalated efforts to protect intellectual property rights and deter dishonest and malicious filings in China, this fourth revision takes a much stronger stance on such bad faith or malicious applications.

The primary change brought by the 4th Amendment of the *PRC Trademark Law* is the creation of two (2) new absolute grounds for refusing, opposing or invalidating trademark registrations in China to tackle bad faith filing and trademark hoarding by amending Articles 4, 33 and 44(1) of the existing *PRC Trademark Law*. Specifically,

1. Article 4 of the *PRC Trademark Law* is amended by adding that "any trademark application that is filed in bad faith and is not filed for the purpose of use shall be rejected". In addition and accordingly, Article 19 (3) of the *PRC Trademark Law* is amended by imposing an obligation on the trademark agent (among its other duties) not to accept instructions and handle any trademark application which it knows or ought to know that the said trademark application in question violates Article 4 of the

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2. Article 33 of the *PRC Trademark Law* is amended to include the violation of Article 4 or Article 19 (4) as absolute grounds for opposing a trademark application by anyone. Likewise, violation of Article 4 and Article 19(4) have been recognized as absolute grounds for invalidating a trademark registration under Article 44 (1) by virtue of the 4th Amendment Article 19(4) is an existing provision under the *PRC Trademark Law* which prohibits a trademark agency from registering any trademark other than its service mark for the trademark agency.

This primary change means that any application that is filed by an applicant who owns numerous trademark filings, especially when the applicant is an individual, may face a higher chance of being rejected by the TMO during examination, or being successfully opposed or invalidated (if a registration) under amended Article 4.

Another highlight of the 4th Amendment is that the maximum amount for statutory damages for trademark infringement is increased from RMB 3 million (~US\$425K) to RMB 5 million (~USD710K), and the maximum punitive multiplier is increased from three to five (Article 63). Other amendments include the new provision Article 63(4) which provides additional remedies for the people's courts to order the destruction of the counterfeit goods as well as the materials and tools used for the manufacturing of the counterfeit goods etc. Moreover, the new provision Article 63(5) prohibits any counterfeit goods from re-entering the market by merely removing the counterfeit marks from the goods.

The 4th Amendment reflects the Chinese government's determination to crack down on dishonest and malicious trademark filing activities in China and to protect the rights of lawful brand owners. Whilst the 4th Amendment has not yet come into effect, we have already experienced voluntary alignment of the trademark examination / prosecution practice with the 4th Amendment by the TMO. We expect to see the full impact of the 4th Amendment after November 1, 2019 and will closely monitor the development of the associated practice.