

## PRC TRADEMARK LAW AMENDED TO ADDRESS REGISTRATIONS FILED IN BAD FAITH

On 23 April 2019, China's Standing Committee of the National People's Congress announced the Fourth Amendment to the Trademark Law ("**Amendment**") which will come into effect on 1 November 2019. The Amendment introduces provisions specifically targeting trademarks filed in bad faith, a top concern within the international trademark community when it comes to IP protection in China. The Amendment is also expected to further enhance penalties to deter infringement.

### BAD FAITH REGISTRATIONS ADDRESSED HEAD ON

Article 4 of the Trademark Law sets forth the overarching principle regarding registering trademarks for use in commerce in China. The Amendment now adds that "any bad faith applications with no intent to use shall be rejected."

In addition to recognising the bad faith registration issue for the first time at a legislative level, the Amendment contemplates the following measures to curb and tackle this problem:

- *Outright rejection by examiners* – While China remains a "first-to-file" jurisdiction where showing use or intent to use is not generally required, the amended Article 4 allows trademark examiners to reject apparent bad faith applications at the examination stage. This is a particularly welcome change considering typical squatting situations involving hundreds or even thousands of squatted marks held by a same applicant on the trademark registry.
- *Opposition/cancellation by brand owners* – Articles 33 and 44 of the Trademark Law now codify that making a bad faith application with no intent to use is a ground for opposition or cancellation. Over the years, brand owners have attempted to invoke various provisions of the Trademark Law to remove squatted marks. The Amendment appears to provide clearer redress and hopefully will lessen the burden on the part of brand owners to clear the conflict on the registry.
- *Trademark agency held liable* – According to the amended Article 19, a trademark agency may not represent an applicant where it knows or should have known that the mark being applied for violates amended Article 4 (i.e. a bad faith application with no intent to use). Article 68 goes on to provide

#### Key issues

- The latest Trademark Law Amendment expressly addressed China's trademark squatting problem for the first time at a legislative level.
- It is hopeful that brand owners' burden to remove trademarks filed in bad faith can be lessened to some extent.
- The damages regime in China has continued to evolve, with the legislature intending a strong punitive element.

administrative penalties against trademark agencies that take on representations for bad faith registrations.

## **ENHANCING DAMAGES AWARDS FOR BRAND OWNERS**

One of the recent themes of enhancing IP protection in China is to improve the damages regime. The Amendment now goes one step further by:

- *Increasing statutory damages* – The upper limit of statutory damages for trademark infringement has been increased from RMB 3 million to RMB 5 million. Statutory damages are awarded where a trademark owner's actual damages cannot be established. Since there is no discovery regime in China, courts have awarded statutory damages to winning plaintiffs in the majority of cases.
- *Enhancing punitive damages* – The current Trademark Law provides for treble damages for wilful infringement. The Amendment attempts to further punish malicious infringers by introducing a five time multiplier of damages for the first time under Chinese law.

## **CONCLUSION**

The Amendment shows the Chinese legislature's clear intent to clear the trademark registry which has been plagued by registrations filed in bad faith for more than two decades. Given that the Amendment is focused on "bad faith registrations with no intent to use", it is likely to remain a long way to fight imitation or copycat brands that are traded in commerce and freeride on brand owner's goodwill and reputation.

Further, trademark squatting has prompted legitimate trademark owners to file defensive registrations in China. It is however unclear how the Amendment will affect this strategy.

Therefore, we recommend closely monitoring the implementing regulations that will be issued in the coming weeks and revisiting filing and enforcement strategies for China to take full advantage of the new provisions.

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