

Report on the Implementation of China's Amended Trademark Law

NOVEMBER 2021

Bad faith filings worldwide have increased significantly over the past years. Notorious cases, where a total of 109 trademark applications related to the Tokyo Olympics champions were filed in August 2021, have made headlines. Because bad faith filings cause immense damage to brand owners as well as consumers, the International Trademark Association (INTA) has made combatting bad faith a priority issue of its overall advocacy mission.

INTA passed an updated Board Resolution on the Best Practice Standards for Addressing Bad Faith Trademark Applications & Piracy in November 2020. INTA has been developing content and programming to advocate on behalf of global brand owners and IP practitioners.

To raise awareness of this issue, during the 2020–2021 term, the China Trademark Office Practices Subcommittee of INTA's Trademark Office Practices Committee conducted a survey to identify the impacts of the legislative amendments (which came into force in November 2019) to the Trademark Law of the People's Republic of China (PRC Trademark Law) and effective strategies to combat bad faith registration in China. Survey questions focused on the main areas of the amendments, covering trademark warehousing, squatting problems, disciplining of trademark agencies, and increased penalties for IP infringement.

These accomplishments—including this report—would not have been possible without the dedication and hard work of the members of the China Trademark Office Practices Subcommittee:

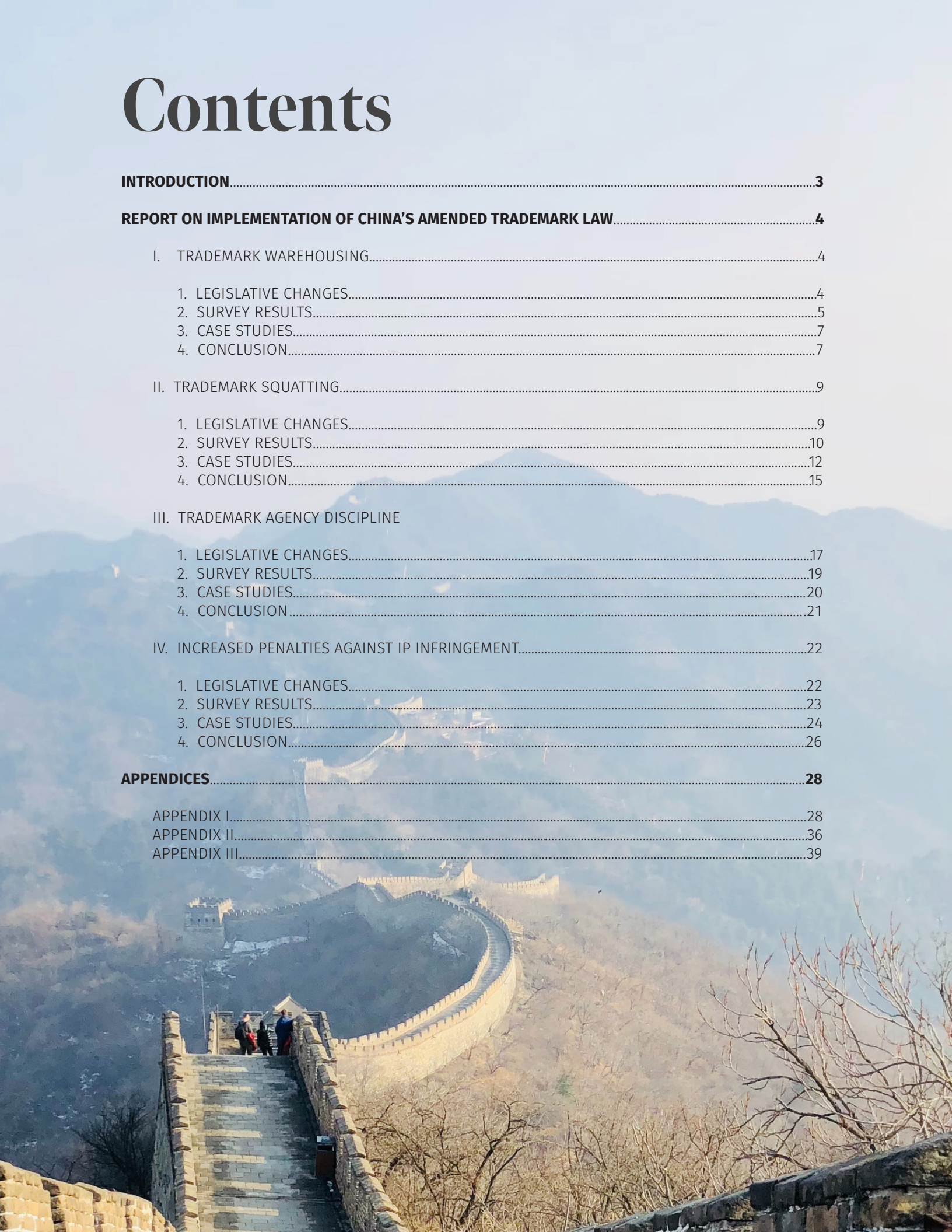
- **Amanda Yang, Rouse (Beijing, China)**
- **Angel Luo, Oldham, Li & Nie (Shanghai, China)**
- **Christopher Shen, NTD Patent & Trademark Agency Ltd. (Beijing, China)**
- **Nick Ji, Corner Stone & Partners (Beijing, China)**
- **Shirley Kwok, King & Wood Mallesons (Hong Kong, China)**
- **Stella Liu, Guangzhou JUNCY Intellectual Property Agency Co., Ltd (Guangzhou, China)**
- **Troy Rice, Troy Rice Consulting Inc. (San Diego, California)**
- **Virginia Zhao, An, Tian, Zhang & Partners (Beijing, China)**
- **Yongjian Lei, Wanhuida IP (Beijing, China)**
- **Zhanqing Tang, Chofn Intellectual Property (Beijing, China)**



Etienne Sanz de Acedo
Chief Executive Officer

Contents

INTRODUCTION	3
REPORT ON IMPLEMENTATION OF CHINA'S AMENDED TRADEMARK LAW	4
I. TRADEMARK WAREHOUSING.....	4
1. LEGISLATIVE CHANGES.....	4
2. SURVEY RESULTS.....	5
3. CASE STUDIES.....	7
4. CONCLUSION.....	7
II. TRADEMARK SQUATTING.....	9
1. LEGISLATIVE CHANGES.....	9
2. SURVEY RESULTS.....	10
3. CASE STUDIES.....	12
4. CONCLUSION.....	15
III. TRADEMARK AGENCY DISCIPLINE	
1. LEGISLATIVE CHANGES.....	17
2. SURVEY RESULTS.....	19
3. CASE STUDIES.....	20
4. CONCLUSION.....	21
IV. INCREASED PENALTIES AGAINST IP INFRINGEMENT.....	22
1. LEGISLATIVE CHANGES.....	22
2. SURVEY RESULTS.....	23
3. CASE STUDIES.....	24
4. CONCLUSION.....	26
APPENDICES	28
APPENDIX I.....	28
APPENDIX II.....	36
APPENDIX III.....	39



Introduction

In line with INTA's strategic direction to promote and reinforce the value of brands and against the backdrop of the amended PRC Trademark Law, which came into force in November 2019, the Association's Trademark Offices Practice Committee—China Subcommittee (China TOPC) designed a survey to examine the implementation of the policy changes following the Fourth Amendment of the PRC Trademark Law, which was adopted over two years ago.

Bad faith filings worldwide have increased significantly over the past few years. Since 2017, the volume of trademark application filings in China has consistently increased. According to the latest official statistics from the China National Intellectual Property Administration (CNIPA), there were 9.34 million trademark applications filed in 2020—an increase of 19.3 percent from 2019—and the highest number on record. It seems that the global pandemic has failed to stem the raging tide of filings. Despite a 4.1 percent drop in filings in the first half of 2019, the overall volume of filings calls into question the efficacy of the PRC Trademark Law and its implementing regulations to address systemic problems such as bad faith registrations, trademark squatting, and warehousing. Notorious cases have made headlines, such as where an individual filed 159 trademark applications for MBAPPE, the surname of French football star Kylian Mbappe, who became famous after leading the French team to victory in the World Cup in Russia, within just two weeks after the conclusion of the World Cup.

As a global association of trademark owners and professionals, INTA has made combatting bad faith a priority issue of its overall advocacy mission. Toward this end, a survey (Appendix II) was sent to select global membership within INTA's relevant advocacy committees. The purpose of the survey was to understand the impacts of the legislative amendments to the PRC Trademark Law and whether any clarification or improvement should be made in a future overhaul of the implementing regulations, to help harmonize a more effective registration and enforcement system.

With this Report, INTA is working to analyze the effect that implementation of the amendments to the PRC Trademark Law and its implementing regulations is having on curbing bad-faith applications, by presenting the legislative changes and sharing survey results (Appendix I) and, after careful review by the China TOPC Subcommittee members, providing insights and suggestions substantiated with case studies of any adjustments that should be made in forthcoming legislation, based on the feedback provided by survey respondents. Legislative changes, survey results, case studies, and conclusion are presented under each of the four key areas of the survey: (i) trademark warehousing; (ii) trademark squatting; (iii) discipline of trademark agencies; and (iv) increased penalties for IP infringement.

INTA will continue to advocate for a stronger and more effective trademark registration and enforcement regime. In that context, the Report's concluding chapter outlines the recommended strategy for how international brand owners and professionals outside China may better navigate the ever-evolving landscape of the trademark legal regime in China as well as the variety of activities INTA has planned to continue highlighting and furthering its policy and advocacy work and strengthened collaboration with government bodies and actions.

REPORT ON IMPLEMENTATION OF CHINA'S AMENDED TRADEMARK LAW

I. TRADEMARK WAREHOUSING

1. Legislative Changes

In China, the total trademark filings in 2017 reached 5.74 million, a then-record high— representing a 55.5 percent increase in (or two million more than) the 2016 number (3.69 million). The filings in 2018 continued the upward trend, reaching 7.39 million, a further increase of 28.7 percent over the 2017 numbers.

Among the top ten domestic filers in 2017, Tencent ranked third, and the remaining nine top filers were all small businesses or individuals, who each filed thousands of applications, not for the purpose of use in commerce, but for sale. So-called “trademark warehousing” had become a significant problem and drew great attention from the PRC government and society.

The 2013 version of the PRC Trademark Law Article 4 (2013) did not provide an explicit and clear requirement of use in commerce: *“Natural persons, and legal persons and other organizations that need to secure, in the course of production or other business operations, the exclusive right to use a trademark for their goods or services shall apply to the Trademark Office for registration of a trademark.”* In practice, the Trademark Office, Trademark Review & Adjudication Board (now Trademark Review & Adjudication Department), and the People’s Courts had differing opinions on whether trademark warehousing was a violation of Article 4 of the 2013 law.

The language of the amended Article 4 (2019) targets trademark warehousing: *“Natural persons, and legal persons and other organizations that need to secure, in the course of production or other business operations, the exclusive right to use a trademark for their goods or services shall apply to the Trademark Office for registration of a trademark. **Bad faith trademark applications that are not made for the purpose of using the trademark shall be rejected.**”*

This means that trademark warehousing is a clear violation of the amended Article 4. However, the amended language lacks details for determining “bad faith” and “not made for the purpose of using the trademark.” Against this backdrop, the State Administration for Market Regulation (SAMR) issued a set of clarifying Provisions in October 2019 to shed light on the application of the amended Article 4. There are a total of six factors to consider, as discussed below.

To determine “not made for the purpose of using the trademark”

- (1) The number of trademark registration applications filed by the applicant, or by natural persons, legal persons, and other organizations connected to the applicant, the [Goods and Service] Classes specified for use, circumstances relating to trademark transactions, etc.
- (2) The industry, operating conditions, etc., of the applicant.

To determine “bad faith”

- (3) Effective administrative decisions or rulings, or judicial decisions, have already determined that the applicant has previously engaged in bad faith trademark registration activities, or that it has engaged in acts infringing the exclusive rights of a third party’s registered trademark.

(4) The applied-for trademark is identical with or similar to a third party's trademark that enjoys a certain degree of fame.

(5) The applied-for trademark is identical with or similar to the name of a famous person, to an enterprise trade name, to an abbreviation of an enterprise name, or to other commercial identifiers.

(6) Other factors to be considered at examiner's discretion.

CNIPA's campaign against trademark warehousing based on the amended Trademark Law and 2019 Provisions

The campaign against trademark warehousing started shortly before the amended law went into effect, based on the consensus between the Trademark Office and the courts.

Large-scale trademark stockpilers were deterred and wiped out, and the top ten filers list was back to normal.

The filing volume remained high in 2019 (7.83 million) and 2020 (9.36 million). It remains to be seen whether this will be reduced in the future (the warehouseurs may simply find ways around the rules, e.g., by parceling out filings across many applicants).

2. Survey Results

Q3 In your opinion, are CNIPA's determination criteria in respect of Article 4 "bad-faith trademark applications" and hoarding consistent and easily grasped?

59.32 percent voted "relatively consistent, but difficult to grasp in certain circumstances"

Q5 Have you encountered trademarks applied for by an enterprise in the normal course of business that were determined to be in violation of Article 4 and rejected, resulting in "unintended harm"?

66.1 percent voted "no."

22.3 percent voted "yes, but few."

6.78 percent voted "yes, and many."

Q6 In your opinion, what sorts of problems is the CNIPA's application of Article 4 to curb bad-faith trademark applications not intended for use incapable of solving, or what obstacles will be encountered? Will there be unintended harms?

A sample of open-ended responses to this question:

Whether defensive trademarks filed by good-faith applicants may be inadvertently or unintentionally jeopardized is not yet addressed clearly. It would be appreciated that CNIPA would introduce further standards to provide more insight on defensive marks, in the context of "warehousing."

Large companies with wide business scope might apply for hundreds of trademarks in a short period, especially before launching a new series of products. In this circumstance, their applications might be mistakenly identified as bad-faith applications without intention of use.

CNIPA may need to set up the criteria to determine genuine intention of use.

Q7 According to the relevant laws and regulations of your country or region, how do trademark registration authorities curb bad-faith trademark applications not intended for use? What practices do you think the CNIPA could use for reference?

A sample open-ended response to this question:

Request for evidence on use / intent to use to clear Article 4.

Q8 After the amendment, the percentage of successful oppositions or invalidations is:

28.81 percent voted “less than 30%”

28.81 percent voted “around 50%”

16.95 percent voted “around 60%”

11.86 percent voted “higher than 70%”

Q9 Do you approve of Article 4’s new provisions that “bad-faith registration applications not intended for use should be rejected”? (Please select a score from 1–10; 1 is extremely disapprove, 10 is extremely approve)

The average score for this question was 8.62.

Q10 How well do you approve of the six factors for consideration listed in “Provisions for Regulating Trademark Application and Registration Conduct” Article 8, effective on 1 December 2019, in determining “bad-faith registrations not intended for use” (please select a score from 1–10; 1 is extremely disapprove, 10 is extremely approve)?

A. Number of applications the applicant has filed **Average score: 7.40**

B. Applicant’s industry, operating conditions, etc. **Average score: 7.24**

C. Effective administrative decisions or judicial judgements of applicant’s previous acts of bad-faith trademark registration or infringement **Average score: 8.94**

D. Whether the applied-for mark is the same as or similar to another’s trademark having a certain level of notoriety **Average score: 8.77**

E. Whether the applied-for mark is the same as or similar to the name of a famous individual, company name, short name of an enterprise, or other commercial sign **Average score: 8.90**

F. Other factors as determined by the TM registration department **Average score: 6.90**

Reading of the survey

According to the results of the survey, it is obvious that most people support the amended provisions to curb bad-faith trademark applications not intended for use.

However, there are some concerns about unintended harms to defensive applications and applications with genuine intention to use. When implementing the laws and regulations, additional details should be clarified, such as the criteria to determine defensive applications and intent-to-use applications. It may also be a good approach, before issuing a refusal based on the amended Article 4, to provide the applicant an opportunity to submit evidence proving its intent to use or the necessity for defensive trademarks.

3. Case Studies

Shanghai Wuyue – One Company, 500+ Trademarks¹


Shanghai Wuyue Information Technology Co., Ltd. filed 500+ trademark applications from 2014 to 2021 across many different classes, including some famous brands, such as ‘哔哩哔哩’ (video site), ‘花椒’ (live broadcast platform), ‘斗鱼’ (live broadcast platform), ‘丰巢’ (express cabinet brand), ‘虾米’ (professional music platform), ‘应彩儿’ (actress), ‘凤姐’(celebrity), etc.

The authority opines that such behavior has clearly exceeded the normal needs of production and operation, and constitutes an obvious intent to copy, plagiarize, imitate others’ brands, or use the name of a public figure, which disrupts the normal order of trademark registration and is detrimental to the market of fair competition. Therefore, it should be considered “obtaining the registration by other improper means,” as specified in the first paragraph of Trademark Law Article 44.

Zhuhai Guanrui – 70,000+ Trademarks by One Company and Its Related Parties²

Zhuhai Guanrui Trading Co., Ltd. applied for 5,753 trademark registrations in one day. The other fourteen companies sharing the same legal representative with Zhuhai Guanrui filed altogether over 70,000 trademark applications in 2018. Most applications were rejected by the authority based on the amended Article 4.

HWW Global – 1,800+ Trademarks by One Company (Beijing IP Court Case)³

The Beijing IP Court issued a decision about trademark No. 10578233 “” (pronounced as Yu Jian). In the decision, the Court determined that the applicant, HWW Global Enterprise Group Co., Ltd. filed 1,836 trademark applications from 2011 to 2021, plagiarizing different logos involving multiple classes of goods or services, which has clearly exceeded normal business needs.

Additionally, the existing evidence proves that the investors of the applicant and its affiliates profited from selling trademarks via HWW’s website. Such behavior seriously violated the PRC Trademark Law’s legislative spirit and would not only cause confusion and misunderstanding as to the source of goods/services to the relevant public, but also gravely disrupt the normal trademark registration order.

4. Conclusion

The amended Trademark Law and the SAMR’s Provisions offer powerful tools in curbing trademark warehousing, notably through the test of combined factors.

The effectiveness will hinge on the CNIPA’s implementation of those tools but there should be a strong overall deterrent effect on trademark warehousing.

Despite there being a stark reduction in trademark warehousing filings, it remains to be seen whether the stockpilers will simply find a way to parcel out filings to avoid the current prohibitions and the authorities’ efforts to curb trademark warehousing.

¹ TRAB [2018] No. 0000132235

² https://www.sohu.com/a/296052727_221481

³ (2016) JING 73 XINGCHU No.3496

Practice Tips

ACT QUICKLY AND FILE FIRST

Register your marks as soon as possible (even if you are only doing oEM or have not yet decided when to start business in China)!



BROADER COVERAGE

Consider a wider scope of filing, covering not only the goods/services of your imminent need but also those that may be of potential interest or concern in the future.



DULY PERSERVE EVIDENCE OF USE

Be prepared to justify the necessity of your defensive filings or stand ready to defend against non-use cancellations.

II. TRADEMARK SQUATTING

1. Legislative Changes

The rapid increase in the number of trademark applications shows that the public's awareness of intellectual property rights in China has also increased rapidly but, at the same time, due to the reduction of application fees and the facilitation of the application process, speculative phenomena such as malicious trademark squatting is getting worse.

To crack down on malicious squatting, one of the highlights of the Fourth Amendment to the PRC Trademark Law is the amendment of Article 4. Under the 2013 version of the Law, Article 4 was generally believed to require an applicant to have the purpose of commercial use when applying for a trademark, but the Article was general, and not considered a specific legal basis for the rejection of a trademark registration application. Based on the principle of statutory authority, it was improper for the (then-SAIC, now) China National Intellectual Property Administration (CNIPA, which has since incorporated the Trademark Office and the former Trademark Review & Adjudication Board (TRAB) (now Trademark Review & Adjudication Department), to directly apply this article to the examination of specific cases. Amended Article 4, with the inclusion of the clause “applications for registration of trademarks in bad faith that are not intended for use shall be rejected,” adopts the concept of “intent to use” for the first time. More importantly, amended Article 4 is explicitly listed as one of the absolute grounds for rejection, opposition, or invalidation. On the one hand, the CNIPA is now able to proactively reject bad-faith applications during the ex-officio examination at the filing stage. On the other hand, any parties, without restrictions of their identities, regardless of whether their marks have reached famous status in China, are entitled to oppose or invalidate bad-faith applications based on this article. But the amended law fails to clarify the detailed criteria of examination on “applications for registration of trademarks in bad faith that are not intended for use.” Moreover, although the CNIPA has confirmed on various occasions that if during the examination process the CNIPA discovers that the relevant application is a malicious trademark application that is not intended for use as stipulated in Article 4 of the amended PRC Trademark Law, the malicious trademark application shall be rejected, there is no statutory procedure for the public to report the clues or submit public opinion.

Though PRC Trademark Law Article 44 was barely amended in 2019, it also plays an important role in combating malicious applications. Back in 2015, the courts and the then-TRAB reached consensus that the conduct of applying for a large number of other parties' famous or distinctive marks without intent to use but for obtaining improper benefits constitutes a scenario of “registration by other improper means” proscribed by Article 44. It should also be noted that under the 2013 Trademark Law, Article 44 was limited to registered marks and therefore could only properly be cited as the basis for an invalidation procedure, not as the basis for refusing a pending trademark registration application or as the basis for an opposition. However, given the legislative purpose of Article 44 and the interpretation of the trademark legal system, the Trademark Office examiners also began citing Article 44 in opposition decisions. That being said, under the 2013 Trademark Law, the threshold for recognizing bad faith based on Article 44 was high. Since the Fourth Amendment of the PRC Trademark Law took effect in 2019, Article 4 and Article 44 have been considered as strong weapons to curb bad-faith applications. The trend of recent cases as cited above has shown that the threshold of recognizing bad-faith applications based on Article 4 and Article 44 has been progressively lowered.

PRC Trademark Law Article 68 was also amended in 2019 and confirms that for malicious applications for trademark registration, administrative penalties such as warnings and fines shall be given according to the circumstances; for maliciously filed trademark lawsuits, the People's Courts shall impose penalties in accordance with the law (as detailed in Section IV). These penalties should have an effective deterrent effect.

Following the Fourth Amendment to the PRC Trademark Law, the State Administration for Market Regulation (SAMR) promulgated *Several Provisions for Regulating Trademark Application and Registration Conduct* (“Provisions”) on October 11, 2019, designed mainly to curb bad-faith filings and warehousing of trademarks, through more specific measures that are unprecedentedly strict against squatters and warehousing filers.

The Provisions relating to Article 3 is significant. The Trademark Law’s various provisions addressing trademark registration applications that violate the principle of good faith (required by Article 7 of the Law) are scattered across multiple articles. *The Provisions* relating to Article 3 summarizes the types of behaviors that violate the principle of good faith and are most common in practice, including: the malicious application for trademark registration without intent to use; copying, imitating, or translating another party’s well-known trademarks; the unauthorized application for registration of a principal’s trademark by its agent or representative; the application by an applicant who clearly knows due to contractual, business, or other relationships that the trademark has already been used by others; the application for registration of a trademark that damages the existing prior rights of others or the preemptive registration by improper means of a trademark that has already been used by others and has a certain influence; application for trademark registration by deception or other improper means; and other acts that violate the principle of good faith, violate public order and good customs, or have other adverse effects. By clarifying the types of bad faith applications for trademark registration, the Provisions provide a clearer basis for trademark examination and provide positive guidance to the public.

The Provisions also clarify the legal consequences of bad-faith trademark applications. Article 12 therein stipulates that for applicants who maliciously apply for trademark registration in violation of the *Provisions* relating to Article 3, in accordance with the provisions of the fourth paragraph of PRC Trademark Law Article 68 the local AMR can warn or fine the applicants. If there is illegal income, a fine of up to three times the illegal income of up to RMB 30,000 may be imposed; if there is no illegal income, a fine of less than RMB 10,000 may be imposed. What’s more, according to the Provisions, other measures can also be applied, for example, the local Administrations for Market Regulation that issued the administrative penalty decision can disclose the penalty information to the public through the national enterprise credit information publicity system.

2. Survey Results

Q2 According to your experience, after implementation of the amended Trademark Law, how effective has the China National Intellectual Property Administration (CNIPA) been in curbing and cracking down on bad-faith preemptive trademarks?

67.8 percent voted “Better”, which is the second-best option (very good, better, average, worse).

COMMENTS: This is very encouraging, as close to 70 percent of those surveyed find the amended law effective.

Q3 In your opinion, is the CNIPA’s determination criteria in respect of Article 4 “bad-faith trademark applications” and hoarding consistent and easily grasped?

59.32 percent voted “relatively consistent, but difficult to grasp in certain circumstances”

COMMENTS: Nearly 60 voted for this, which is about five times the votes received by the second choice (very consistent and easily grasped). Consistency in application of the law is very important for both businesses and legal advisers, so this result is encouraging. The high percentage may be because the amended law is still comparatively new. Hopefully, this consistency will continue.

Q4 Amended Article 68 provides “[f]or bad-faith applications to register trademarks, administrative penalties such as warnings and fines shall be given according to the circumstances; for trademark lawsuits filed in bad faith, the People’s Courts shall impose penalties according to law.” According to the “Provisions for Regulating Trademark Application and Registration Conduct,” for applicants who apply for trademark registrations in bad faith, “[i]f there is illegal income, a fine of up to three times the illegal income of up to RMB 30,000 may be imposed; if there is no illegal income, a fine of less than RMB 10,000 may be imposed.” In your opinion, how effective are such penalties?

40.68 percent voted “penalties are light and may be unable to achieve disciplinary objectives”

23.73 percent voted “penalties are too light, wholly incapable of achieving disciplinary objectives”

18.64 percent voted “penalties are appropriate, can fully achieve disciplinary objectives”

COMMENTS: In total, over 60 percent of those responded considered the penalties light or too light. The result is not surprising as trademark owners would always prefer heavier penalties. However, it should be noted that this is an administrative fine that is more or less in line with other administrative fines under the PRC Trademark Law (except for trademark infringement, which has a maximum of RMB 250,000 and for breaches by trademark agencies, which has a maximum of RMB 100,000); and it does not take the place of any remedy the courts may impose as a result of legal action. Whether or not this will become a mainstream remedy that the public would rely on, and whether there is any need to increase the same, remains to be seen.

Q8 After the amendment, the percentage of successful oppositions or invalidations is:

28.81 percent voted “less than 30%”

28.81 percent voted “around 50%”

16.95 percent voted “around 60%”

11.86 percent voted “higher than 70%”

COMMENT: Before commenting on the survey results, let’s first look at the statistics of third-party channels.

According to the above statistics, almost 58 percent of those who responded perceive that the percentage of success in oppositions and invalidations is 50 percent or less. Considering that the main survey respondents are outside China, this means that there is considerable gap for international brand owners to bridge for a smoother navigation of the IP system in China.

Q9 Do you approve of Article 4’s new provisions that “bad-faith registration applications not intended for use should be rejected”? (Please select a score from 1–10; 1 is extremely disapprove, 10 is extremely approve)

Average score: 8.62

33.9 percent “extremely approve”

COMMENT: Traditionally, trademarks must be used or intended to be used. The underlying issue is whether we accept trademarks as a commodity. For example, in Hong Kong, “shelf” companies can be traded; a person who needs a company to do business can conveniently buy “off the shelf” a company already incorporated, for immediate use. Some people are advocating that trademarks should similarly be a commodity. However, from this survey, it seems this is still not accepted, and it is considered that one should register only what it intends to use.

Q10 How well do you approve of the six factors (as referenced on Page 6) for consideration listed in “Provisions for Regulating Trademark Application and Registration Conduct,” Article 8, effective on December 1, 2019, in determining “bad-faith registrations not intended for use” (please select a score from 1–10; 1 is extremely disapprove, 10 is extremely approve)?

COMMENT: Except for the last factor, the other five factors received more than a 70 percent approval rating, with three having close to a 90 percent approval rating. This shows the law has covered the main areas of concern. As long as the law is properly enforced, this should serve the public interest well.

Reading of the survey

Overall, the new provisions are welcome. They adequately address and precisely hit on the types of bad-faith applications that concern trademark owners. The provisions are generally considered effective and, further, examination is generally considered consistent.

With such a good start, it is a good idea to regularly conduct these surveys to see whether the high level of approval continues and whether the provisions continue to serve the needs of the public.

However, there are concerns that the administrative penalties are too light and ineffective, and that the success rate of oppositions has not substantively increased as a result of the additional bad-faith provisions. There are also concerns that unintended harms may be caused in instances where a large number of applications are filed based on genuine business needs.

To address these concerns, we hope the CNIPA may offer more guidance in these areas:

- (1) Track the use and relevance of the administrative penalties to see how evenly and effectively they are being applied.
- (2) Conduct a wider and more in-depth survey to review the success rate of oppositions filed based on the bad-faith provisions.
- (3) Define the scope of legitimate “business needs,” in particular distinguishing between (a) a large number of trademarks and (b) a large number of classes for the same trademark.


3. Case Studies

Below we have selected several cases that represent the typical kinds of squatting behaviors for reference.

Case 1: Opposition against “宾利 (Bentley in Chinese characters)” No. 26168359 ⁴

“宾利 (Bentley in Chinese characters)” is a top luxury car brand with a 100-year history and a global reputation. In this case, the opposed trademark “宾利 (Bentley in Chinese characters)” is designated to be used on goods in the category “clothes suspenders; straps and etc.,” in class 25. The opposing party BENTLEY MOTORS LIMITED cited its registered trademark “宾利 (Bentley in Chinese characters),” which is registered in class 25 on the goods “bow tie; tie and etc.,” to be a prior right. There are certain differences between the functional purpose of the goods designated by the opposed trademark and the trademark cited by the opposing party. Therefore, the trademarks of both parties do not constitute similar trademarks on similar goods. The opposing party requested to recognize its trademark “宾利 (Bentley in Chinese characters)” as a well-known trademark, but the CNIPA deemed that the submitted evidence was not sufficient to prove the claim. However, the trademarks such as “Bentley,” “BENTLEY,” “B and device,” etc., registered by the opposing party on “automobiles and other goods” have enjoyed a certain degree of popularity among relevant consumers after years of publicity and use. After investigation, the CNIPA verified that in addition to the opposed trademark, the opposed party also applied for registration of a number of trademarks in class 25 and other classes, on which marks are highly similar to the opponent’s trademarks, such as “Bentley,” “BENTLEY,” “B and device,” etc. Some of these trademarks have been opposed and ruled not to be approved for registration. The opposed party failed to provide a reasonable explanation on the intention of the registered trademarks, the idea of creation, and use intention of the relevant trademarks. Given that the registration of the marks cannot be considered a coincidence and that their registration was not justified by the opposed party, it can be determined that the applications for the registration of the trademarks were intended to plagiarize or imitate the trademarks of others. This behavior will not only cause the relevant consumers to misunderstand the source of the goods, but also damage fair competition in the market. It violates the spirit of the PRC Trademark Law regarding the prohibition of obtaining trademark registration by deception or other improper means and should not be supported. As a result, the CNIPA decided that the opposed trademark should not be registered.

Case 2: Opposition against “FILORGA” No. 38558170 ⁵

“FILORGA” is a well-known medical skin care brand originating in France. In this case, the designated goods of the opposed mark “FILORGA” in class 16 are dissimilar to the approved goods of the prior mark “菲洛嘉 (FILORGA in Chinese characters),” registered by the opposing party. Thus, the trademarks of the two parties do not constitute similar marks on similar goods. The CNIPA deemed that the submitted evidence was not sufficient to prove that the opposing party’s trademark “FILORGA” has become a well-known trademark and should enjoy extensive protection. However, the opposed party has applied for more than 100 trademarks in various classes. Some of them are identical with or highly similar to other parties’ trademarks that have strong inherent distinctiveness and/or high reputation. Some trademarks have encountered oppositions and the opposed party failed to provide a reasonable explanation for designing and filing these trademarks. Considering that the opposed trademark is identical with the dominant part “FILORGA” of the opposing party’s mark “”, the CNIPA held that the behavior of the opposed party has obvious subjective intent to plagiarize, imitate, or copy other parties’ trademarks and that the behavior disrupts the normal order of trademark registration management and violates the legislative spirit of the Trademark Law regarding the prohibition of obtaining trademark registration by deception or other improper means. As a result, the CNIPA decided that the opposed trademark should not be registered.

⁴ 2020SBYZ0000010380

⁵ 2021SBYZ0000035893

Comments:

The above two cases have in common on the following facts:

- a. Although the legitimate owner owns a prior registered identical or similar mark, such mark is registered for goods dissimilar to those of the opposed mark. Thus, the two parties' marks do not constitute similar marks on similar goods.
- b. The submitted evidence was deemed insufficient to prove that the prior registered mark of the legitimate owner has become well-known in the mainland China market. Thus, no extensive protection can be given in respect of the dissimilar goods.
- c. The opposed party has applied for a number of trademarks in various classes (fewer than 20 in the Bentley case, but more than 100 in the FILORGA case). Some of them are identical with or highly similar to other parties' trademarks that have strong inherent distinctiveness and/or high reputation. Some trademarks have encountered oppositions and the opposed party failed to provide a reasonable explanation for designing and filing these identical or highly similar trademarks.

In both cases, the CNIPA held that the behavior of the opposed party has obvious subjective intent to plagiarize, imitate, or copy other parties' trademarks and that the behavior disrupts the normal order of trademark registration management and violates the legislative spirit of the Trademark Law regarding the prohibition of obtaining trademark registration by deception or other improper means.

These two cases represent a very typical kind of case, namely that the conduct of applying for a number of other parties' famous or distinctive marks without intention to use, but for the purpose of obtaining improper benefits, constitutes a scenario of "registration by other improper means," which is proscribed under PRC Trademark Law Article 44.

In practice, the difficulty mainly lies where an applicant only applies for a small number of trademarks. Some examiners have held that, although the number is not huge, if each of them is identical or similar to others' marks with a certain degree of popularity (though the marks may not have reached the well-known or famous status required by PRC Trademark Law Articles 13 and 32), as long as the applicant fails to prove true intention of use, it can still be determined to have acquired "registration by other improper means." The Bentley case is a positive example where the opposed party was deemed as acquiring "registration by other improper means" though it applied for fewer than 20 trademarks.

Case 3: Opposition against “ALLIANZ” No. 35746179⁶

ALLIANZ is the house mark of ALLIANZ SE, one of the world’s largest insurance and asset management groups and top 500 companies. In this case, the opposed trademark “ALLIANZ” is designated to be used on the goods “shredders; electric machinery for food preparation; and etc.” in class 7. The prior registered trademarks of the opposing party designated dissimilar goods under the Trademark Office’s similarity assessment criteria. Thus, the two parties’ marks do not constitute similar marks on similar goods. The request for recognition of well-known trademark status was not supported by the CNIPA, as the evidence submitted by the opposing party was deemed insufficient. The opposing party believed that in light of the high distinctiveness of the mark “ALLIANZ,” it cannot be a coincidence that the opposed party applied for this identical mark. Except for the opposed mark, the opposed party also applied for a number of marks (fewer than 10), including GODIVA and LAFAYETTE, which are famous marks of others in the relevant fields. However, the claim of “registration by other improper means” was not supported in the opposition procedure.

It can be seen from the Allianz case that the standard of “registration by other improper means” is still not consistent in practice. So far, there is no absolute quantitative standard. The key factors in determining “other improper means” are factors such as the composition of the trademark registered by the applicant, whether there is a real intention to use it, the behavior after registration (whether there is blackmailing, etc.), and so on.

4. Conclusion

Due to low cost, short turnaround, high profit, etc., malicious trademark squatting has increased sharply in recent years and has become a headache for legitimate brand owners and the authorities. The CNIPA has worked to take multiple measures to crack down on malicious registration of trademarks in an all-around way, including the inclusion of the requirement of “intent to use” at the filing stage in the PRC Trademark Law, clarifying the legal consequences of bad-faith trademark applications, etc.

As virtue rises one foot, vice rises ten. As the CNIPA is taking stronger crackdown measures, malicious applicants become more cautious and cunning. They continue to apply in batches, but in small amounts and multiple times, separately through affiliated companies (persons), or using forged business licenses for applications, and so on. It is more difficult for the CNIPA to find clues and facts regarding these malicious applications and to act to counter them. Public supervision and reports will be of help, but currently the statutory procedure is lacking.

In addition, although the *Provisions* relating to Article 8 refines the consideration factors of “bad faith trademark applications that are not intended for use,” it still fails to provide the specific examination criteria for how to grasp the consideration factors. Therefore, in the next step, the SAMR and the Trademark Office should improve and further clarify the criteria of examining “bad faith trademark applications that are not intended for use.”

Lastly, it should be pointed out that in light of the first-to-file policy adopted in China, filing earlier is still necessary and is highly recommended.

⁶ 2021SBYZ0000029847

Practice Tips

DECIPHER THE BAD-FAITH BEHAVIORS

Uncover and decipher any trace of bad-faith behaviors, associated links between bad-faith filers, and the multiple acts of plagiarism upon which they free ride.



ACT QUICKLY AND PREPARE YOUR EVIDENCE

Be prepared to take a “kitchen sink” approach to gather evidence of above-mentioned leads in your favor.



REGISTER YOUR COPYRIGHT AS SOON AS POSSIBLE

Although copyright is not a focus of this Report, it is nevertheless important to mention that copyright recordation requires a formality check only, but it will come in handy sooner or later.



APPLY ALL POSSIBLE CLAUSES IN THE LAW AND PROVISIONS

Whatever it takes to ensure SUCCESS!

III. TRADEMARK AGENCY DISCIPLINE

1. Legislative Changes

The 2013 Amended PRC Trademark Law established the legal basis for regulating the management of trademark agencies for the first time, which has played a pivotal role in deterring improper trademark applications and stipulating punishment against unlawful activities of trademark agencies in China. The 2019 Amended PRC Trademark Law further clarifies the punishment against bad-faith trademark applicants and trademark agencies. In practice, these provisions effectively curb improper trademark applications, properly orient public opinion, and create an improved environment for trademark registrants.

According to the precedents and media coverage, the supervision authorities, practitioners, trademark applicants, and the public have universally recognized as unacceptable those trademark applications that violate the basic norms of ethics or commercial practice. Generally, there is no opposition against penalty decisions made by the supervision authorities. Meanwhile, the supervision authorities and the public hold consistently recognize advertising and the handling of the trademark-related matters that are in violation of normal industrial practice or commercial morality.

It is undeniable that trademark agencies have played their irreplaceable part. For foreign trademark applicants, trademark agencies in China serve as the only channel between them and the CNIPA. In this scenario, additional issues draw our attention, such as how to guarantee that such a channel works, and that the legitimate rights owned by foreign trademark owners will not be adversely affected.

The amendment of China's Trademark Law raises other concerns over the regulation of trademark agencies. At the current stage, various authorities aim to fight against bad-faith applications. As such, many factors would substantively impact the effect of the regulation over trademark agencies, e.g., whether (i) the supervision authorities establish clear examination criteria, (ii) bad-faith applications are clearly defined, (iii) the extent of fighting against bad-faith applications is confirmed, and (iv) the boundaries of responsibilities and obligations undertaken by trademark agencies are clarified.

The provisions related to the regulation of trademark agencies specified in the PRC Trademark Law and its implementing regulations are discussed below.

PRC Trademark Law (as amended up to Decision of April 23, 2019, of the Standing Committee of the National People's Congress)

Article 19 Trademark agencies shall uphold the principle of good faith, comply with laws and administrative regulations, apply for trademark registration or deal with other trademark-related matters as entrusted by the principals, and keep confidential the principals' trade secrets that come to their knowledge during the agency process.

Where a trademark entrusted by a principal for registration application may fall under the circumstances prescribed by this Law under which registration is not allowed, the trademark agency shall explicitly so inform the principal.

A trademark agency shall not accept the entrustment of a principal if it knows or should have known that the trademark entrusted by the principal for registration application falls under any of the circumstances prescribed by **Article 4**, Article 15, and Article 32 of this Law.

A trademark agency shall not apply for registration of trademarks other than the agency services it renders.

Article 68 A trademark agency that commits any of the following acts shall be ordered to make correction within a time limit by the administrative department for industry and commerce, be given a warning, and be fined not less than RMB 10,000 but not more than RMB 100,000; the persons in charge who are directly responsible and other persons directly responsible shall be given a warning and be fined not less than RMB 5,000 but not more than RMB 50,000; where a crime is constituted, criminal liabilities shall be investigated in accordance with the law:

- (1) Fabricating or tampering with legal documents, seals or signatures, or using fabricated or tempered legal documents, seals or signatures during the handling of trademark-related matters;
- (2) Soliciting trademark agency business by defaming other trademark agencies, or disrupting the order of the trademark agency market by other unjust means; or
- (3) Violating the provisions of **Article 4**, and the third and fourth paragraph of Article 19 of this Law.

Where a trademark agency commits an act referred to in the preceding paragraph, the administrative department for industry and commerce shall record such matters in the credit files; if the circumstances are serious, the trademark office or the trademark review and adjudication board may concurrently decide to cease the acceptance and handling of the trademark agency business submitted by the trademark agency and shall make an announcement thereon.

The trademark agency shall bear civil liabilities in accordance with the law if it violates the principle of good faith and infringes the legitimate rights and interests of a principal and shall be given sanctions by the trade association of the trademark agencies pursuant to its articles of association.

For those who apply in bad faith for trademarks for registration, administrative punishment including warning or fines shall be imposed based on the circumstances; for those who bring a trademark lawsuit in bad faith, the People's Courts shall impose punishment in accordance with the law.

PRC Trademark Law Implementing Regulations (2014)

Article 88 Each of the following acts constitutes using “other improper means to disrupt the order of the trademark agency market” as referred to in item (2) of the first paragraph of Article 68 of the Trademark Law:

- (1) using such means as fraud, fraudulent publicity, causing misunderstanding or commercial bribery to solicit business;
- (2) withholding facts, providing fraudulent evidence, coercing or inducing another person to withhold facts or provide fraudulent evidence; or
- (3) in a trademark case, accepting the engagement of both parties that have a conflict of interest.

Article 89 If a trademark agency commits an act as set forth in Article 68 of the Trademark Law, the administration for industry and commerce at or above the county level of the place where the perpetrator is located or where the violation was committed shall conduct the investigation and handle the matter and notify the Trademark Office of the details of its investigation and **handling of the matter**.

Article 90 If the Trademark Office or the Trademark Review and Adjudication Board ceases the acceptance of trademark matters from a trademark agency pursuant to Article 68 of the Trademark Law, it may render a decision to cease the acceptance of trademark matters from said trademark agency for six months up to in perpetuity. Once the period of cessation of acceptance of trademark matters expires, the Trademark Office and Trademark Review and Adjudication Board shall resume the acceptance thereof. The decision of the Trademark Office or Trademark Review and Adjudication Board to cease or resume the acceptance of trademark matters from a trademark agency shall be announced on the website of the Trademark Office or the Trademark Review and Adjudication Board, as the case may be.

2. Survey Results

To better analyze the Trademark Law amendment's effects on the regulation of trademark agencies, an online survey was conducted. The results are summarized below.

Q11 The first question was about the degree of satisfaction with the provisions of the Trademark Law that regulate trademark agent misconduct. On a scale from 1 to 10 (with 10 being the most satisfied), the average score was 5.9, showing that most respondents were mildly optimistic about those provisions.

Q12 The second question was about whether a trademark agency should be able to evaluate whether a trademark application will easily cause harmful effects. The answers were quite divided; 42 percent of the respondents said "Yes," while more than 49 percent believed that trademark agencies did not have such a right (further, out of the 49 percentage around 29 percent believed that the CNIPA and the courts should be the proper deciders instead).

Q13 The third question dealt with similar laws and regulations in other countries governing trademark agency behavior. Lawyers from Finland, the USA, and France shared their respective information.

Q14 The fourth question was about what specific trademark agency misconduct the respondents had encountered. Not reporting case progress in a timely manner was listed as the most common situation, while others included unprofessional legal advice and arbitrary charges.

Q15 The last question was about conflicts of interest. Most respondents had encountered a trademark agency representing both adverse parties. However, surprisingly, more respondents did not think the introduction of a conflict-of-interest review system was necessary. Although we do not know for sure, we can make an educated guess that probably what they meant was not a compulsory nationwide system but rather a more flexible yet still effective one.

According to the above survey results, the 2019 amendment and implementation of the PRC Trademark Law received positive feedback. For most foreign trademark owners, their disputes relating to entrustment (the contractual relationship with the Chinese trademark agency to which they have entrusted their work) focus on the following aspects:

(1) For trademark applications that may generate negative social influence, whether trademark agencies are obligated to identify such impacts and what are the criteria? Whether trademark agencies must take the initiative to limit such trademark applications or behaviors and what would be the consequences otherwise? Whether foreign trademark registrants shall state that they proceed to file such trademark applications with their full awareness?

(2) What are the criteria for deciding whether the entrustment follows commercial practice or meets professional requirements?

(3) What are the criteria for determining dual representation (representing parties that have potentially conflicting interests)?

3. Case Studies

In practice, trademark agencies will be punished for any of the following misconduct:

(1) If a trademark has negative influence, the punishment is relatively clear. If a trademark has significant negative influence, especially in relation to politics, the punishment is more severe. Please refer to Cases 1 and 2 below.

(2) There are some cases of punishment for improper publicity, for example, slandering other trademark agencies, drumming up business in improper ways, such as exaggerating propaganda on the Internet and misleading clients as to the services rendered. Please refer to Case 3.

(3) Other cases are in relation to fabricating or tampering with legal documents, such as acceptance notices, registration certificates, etc. Please refer to Case 4.

(4) A trademark agency may be sued based on insufficient or negligent oversight in these instances:

- a) Failure to file an application or make a response in time;
- b) Failure to transfer a document in time;
- c) Finger-pointing and blame-ducking; and
- d) Poor communication during negotiation on a trademark assignment.

Cases 1 & 2: Bad-faith applications for “火神山” and “雷神山”

- Brief of the cases: Two agencies applied on behalf of their clients respectively for trademarks “火神山” (literally, Fire God Mountain) and “雷神山” (literally, Thunder God Mountain), the names of two hospitals in Wuhan then being built to contain the COVID-19 outbreak. On March 4, 2020, the CNIPA turned down 63 trademark applications related to COVID-19, stating that “registration of the hospital names by applicants other than hospital itself is likely to cause significant social adverse effects.” They then withdrew the applications.

- Result of the cases: The two agencies were given warnings and fined RMB 70,000 and RMB 20,000 respectively.

Case 3: Trademark application express service

- Brief of the case: The applicant was led intentionally by the agency into choosing its trademark application express service by lying about “internal relations” with the CNIPA and ensuring a 100 percent chance of success of the registration.

- Result of the case: The agency was fined RMB 20,000.

Case 4: Fabricating or tampering with legal documents

- Brief of the case: To drum up business, an agency fabricated or tampered with 126 copies of documents of the CTMO (which has now been merged into the reorganized CNIPA), including notices on trademark renewal, notices on making response to trademark review cases, notices on refusal, etc. A total of 100 enterprises and six individuals were cheated to entrust the agency with trademark matters.

- Result of the case: The agency was fined RMB 100,000; the employees involved were given warnings and had fines imposed on them; the person in charge was criminally prosecuted.

⁷ JINGHAISHIJIANGONGFA [2020] No. 13

⁸ HUSHIJIANZONGCHU [2020] No. 322020000063

⁹ WUSHIJIANAN[2020] No. 00039

¹⁰ GUOZHICHUZI[2020] No.1

According to the case studies above, more efforts in the regulation of trademark agencies are needed:

(1) It is necessary to regulate trademark agencies by law; the CNIPA has yet to finalize and promulgate the (Public Opinion Draft) Trademark Agencies Administration Measures that were circulated in late September 2020.

(2) The moral standards for trademark agencies as legal persons should be clarified, such as the criteria for assessment of whether a mark will have negative influences on society, the degree and criteria of punishment, and the types of penalties.

(3) Mechanisms should be established to help trademark agencies adhere to professional ethics: additional vocational training, further administration transparency of the CNIPA's examination procedures and decisions (such as rejection decisions on absolute grounds), and information disclosure without delay.

4. Conclusion

In light of the above-mentioned laws, survey, and cases, we set forth the following conclusions:

(1) The amendment of the PRC Trademark Law regarding the regulation of trademark agencies was necessary. The post-amendment feedback has been positive, which reflects that the amendment is and will be beneficial to trademark applicants and registrants.

(2) When the laws and regulations are implemented, more details will need to be clarified; specifically, under which circumstances the agencies should be held contributorily negligent and therefore liable for alleged bad-faith filings, and to what lengths the supervisory authorities including local AMRs would go to regulate trademark agencies.

Practice Tips

CHOOSE THE RIGHT TRADEMARK AGENT TO WORK WITH

Conduct due diligence and make sure you have a proper understanding of their credentials, record of credibility, and rates and charges.



SPEAK WITH YOUR CHINA TRADEMARK AGENCY ON A REGULAR BASIS

Understand the latest trends in China's trademark system, ask whether the trends fit the fact patterns in your cases, and develop multiple strategies to be applied simultaneously with your attorney/agent.



BUILD A RELATIONSHIP WITH YOUR CHINA TRADEMARK AGENCY

high evidence burdens, tight administrative deadlines, and an inflexible approach to formalities can be challenging, but a good relationship built on trust is rewarded with going the extra mile in diligence.

IV. INCREASED PENALTIES AGAINST IP INFRINGEMENT

1. Legislative Changes

In addition to the penalties introduced in the above sections, China also implemented more serious damages against infringers, aimed at curbing infringing activities, especially those involving bad-faith factors.

PRC Trademark Law

In China, damages are awarded through court proceedings to compensate the rightful trademark owners for the loss that is caused by trademark infringements, including punitive damages and statutory damages.

Article 63.4 of the PRC Trademark Law, newly added in 2019, provides for damages as follows: “Where the People’s Courts hear trademark disputes, at the request of the rights holders, in regard to goods that counterfeit registered trademarks, except in special circumstances, [they] are to order the destruction [thereof]; in regards to materials and tools that are mainly used to manufacture goods that counterfeit registered trademarks, [they] are to order the destruction [thereof] and without compensation therefor; or, under special circumstances, [they] are to order the prohibition of such materials and tools from entering commercial channels and without compensation therefor.

PRC Civil Code

The PRC Civil Code, which took effect on January 1, 2021, also includes increased penalties against IP infringement. Article 1185 provides that “[w]here the intellectual property rights of another are intentionally infringed upon, and the circumstances are serious, the infringed party shall have the right to claim corresponding punitive damages.”

Other IP Laws and Court Interpretations:

The fourth amended PRC Patent Law and third amended PRC Copyright Law were published in October and November 2020, respectively, and both amended laws include punitive damages language that echoes the “intentional” and “serious circumstances” standard of the PRC Civil Code.

On April 21, 2020, the Beijing High People’s Court released its *Guidelines on Determination of Damages and Statutory Damages in Disputes over Intellectual Property and Unfair Competition*, which provides detailed guidance on methods for calculating damages, punitive damages, recovery of attorney fees, evidence rules regarding a defendant’s failure to produce evidence, and statutory damages.

To implement these new amendments, the PRC Supreme People’s Court (SPC) released its *Judicial Interpretation on the Ruling of Punitive Damages in the Application of Civil Cases regarding Infringement of Intellectual Property Rights* on March 3, 2021 (Interpretation)¹¹ with immediate effect.

The Interpretation provides specific provisions on the scope of application of punitive damages in civil intellectual property cases, the determination of intentional and serious circumstances, and the determination of calculation bases and multiples. The Interpretation aims to guide courts at all levels to accurately apply punitive damages and punish serious violations of intellectual property rights through clear judgment standards. The issuance of the Interpretation is an important measure to implement the punitive damages system and demonstrates the determination of the People’s Courts to comprehensively strengthen judicial protection of intellectual property rights. It is of great significance for further optimizing the legal environment for technological innovation.

¹¹ The Interpretation is available in Mandarin at <http://www.court.gov.cn/fabu-xiangqing-288861.html>

Interpretation is an important measure to implement the punitive damages system and demonstrates the determination of the People's Courts to comprehensively strengthen judicial protection of intellectual property rights. It is of great significance for further optimizing the legal environment for technological innovation.

Thereafter, on March 15, 2021, the SPC swiftly released its *Typical Cases on the Application of Punitive Damages to Civil Cases of Infringement of Intellectual Property Rights* (Typical Cases 2021) including six landmark cases—among which five involve trademark infringement and one involves trade secret infringement—to demonstrate the implementation of the increased penalty and the Interpretation to courts at all levels in China as precedent guidance and reference. Some of these landmark cases will be discussed in the case studies below.

Key Elements:

Based on the laws and court interpretations, the key elements for punitive damages liability are the following:

a) **Applicable Objects:**

Repeated infringement, intentional infringement by the perpetrator, i.e., the perpetrator's subjective state of malicious infringement should be taken into consideration.

b) **Applicable Acts:**

Direct and intentional infringement of intellectual property rights. In practice, it generally includes repeated infringement, large-scale infringement, infringement as a career, or other serious circumstances.

c) **Calculation Method:**

The base amount of damages shall be calculated based on the actual loss of the right holder or the infringement profit of the infringer. The amounts of punitive damages shall be calculated based on the calculable (or discretionary) damages of the right holder, the infringer's profits, and the royalties, and then multiplied one to five times.

Punitive damages may be applied to the identified part of the infringement profit, if the conditions for the application of punitive damages are met; for the loss of the unidentified part, statutory damages shall be applied.

2. Survey Results

In our Survey, 55.26 percent of respondents indicated that such increases in compensation for trademark infringement (question No. 17) "may" effectively curb trademark infringement, 26.32 percent were "uncertain", while 7.89 percent responded that the increased would not effectively curb infringement.

Fifty percent of respondents indicated that they had kept abreast of post-amendment PRC Trademark Law court judgments (question No. 18) and 28.95 percent indicated that they had not.

Among respondents, 52.6 percent thought the effect on the court's post-amendment Trademark Law rulings on compensation amounts were "average," 21.05 percent considered the rulings "good," 10.53 percent considered them "not good," and 10.53 percent considered the rulings "unclear".

One participant responded to the question, “If you think court compensation awards are insufficient, what do you think is the main reason?” by saying that “loss or profit is too hard to prove when discovery is not available.”

Among respondents, 47.37 percent indicated that they had kept abreast of post-amendment PRC Market Supervision Bureau (MSB) enforcement,” while 36.84 percent indicated that they had not.

Among respondents, 38.89 percent considered the effectiveness of AMR enforcement as “better” and the same percentage of respondents considered it “average,” whereas 11.11 percent selected “not good,” and 5.56 percent selected “unclear.”

One participant responded to the open-ended question, “If you think the effectiveness is not ideal, what do you think is the main reason?” with: “Local protectionism. The infringers’ strong connection with the local officials. Punish corruption,” and “proving is still a problem and the authority shall impose more duty on the defendant in proving relevant materials relating to compensation calculation.”

3. Case Studies

The SPC issued its Typical Cases (2021) to accurately understand and apply the Interpretation and ensure the correct implementation of the punitive damages system. We discuss three of those cases.

1) Infringement of technical secrets—Guangzhou Tianci Company and Jiujiang Tianci Company and the relevant parties vs Anhui Newman Company and the relevant parties¹²


This case is the first punitive compensation case for intellectual property infringement that the SPC has rendered. The judgment of the case fully considered the subjective malice of the accused infringers, the business volume of the infringement, the hindrance of proof, the duration of the accused infringement, the scale of infringement, etc., applied punitive damages, and finally determined the statutory punitive damages based on the highest multiple (five times) of the amount of compensation, which shows that the Court has committed to strengthening the judicial protection of intellectual property rights.

Case summary: Guangzhou Tianci Company and Jiujiang Tianci Company claimed that Mr./Ms. Hua, Liu (two individuals), Anhui Newman Company, Wu, Hu, Zhu, and Peng (four individuals) had infringed their “Kabo” manufacturing technical secrets and filed a lawsuit with the Guangzhou Intellectual Property Court, requesting an order to stop the infringement, compensation for losses, and an apology. The Guangzhou Intellectual Property Court determined that the alleged infringement constituted an infringement of the technical secrets involved, considering the intentional infringement and the circumstances of the infringement, and applied 2.5 times the harm as punitive damages. Guangzhou Tianci Company, Jiujiang Tianci Company, Anhui Newman Company, Hua and Liu all refused to accept the judgment of the first instance and appealed to the SPC. The SPC in the second instance held that the alleged infringement constituted an infringement of the technical secrets involved, but the first-instance judgment did not fully consider the contribution of the technical secrets involved in determining the amount of infringement compensation and did not fully consider the subjective intent of the infringers when determining punitive damages. The serious circumstances of the case were evaluated, such as the degree of malice and infringement, the scale of the infringement, the long duration, and the existence of obstructive acts aimed at hiding evidence. On the basis of maintaining the first-instance judgment on the cessation of infringement, the SPC assessed punitive damages calculated at five times the top amount and overturned the judgment of the first instance, and ruled that Anhui Newman Company must compensate Guangzhou Tianci Company and Jiujiang Tianci Company for economic losses of RMB 30 million (approximately US \$450,000) and reasonable expenses of RMB 400,000 (approximately US \$58,000), and Hua, Liu, Hu, and Zhu shall be jointly liable within the range of the aforementioned compensations for RMB 5 million, RMB 30 million, and RMB 1 million, respectively.

¹² (2019) Supreme People’s Court, Min Zhong No. 562,

2) Trademark infringement dispute case—Erdos Company vs Mi Qi Company¹³

This case demonstrates the People’s Court’s confidence and determination to appropriately implement the punitive damages system and severely sanction malicious infringement of trademark rights. The reasoning of the judgment expounds on the factors that should be considered when determining “subjective malice” and determining the “base” and “multiples” for punitive damages, which enable the process of judgment formation to be more transparent and the results of the judgment more persuasive, to achieve positive societal effects. After the verdict of the case was pronounced, neither party appealed.

Erdos Company’s trademark  was registered on the goods of clothing, gloves, and other commodities in Class 25 on February 14, 2004. In June 2015, Erdos Company found that Mi Qi Company’s “cashmere thread” products sold on its Tmall website “Mi Qi Apparel Store,” on which the Chinese characters “鄂尔多斯 (“the Chinese text of “Erdos”), as the distinctive elements of the trademark in dispute, were prominently exhibited. Erdos Company initiated a trademark infringement lawsuit against Mi Qi Company. The Beijing Intellectual Property Court held that the profit of Mi Qi from the alleged infringement can be determined by the product of the total number of infringing products sold, the unit price of the products, and the reasonable profit rate of the products. The Erdos Company’s “Erdos” series trademarks are well-known; the profit margins of products in the “Tmall” online shop are higher, and the implementation of the alleged infringement has caused serious damage to the trademark owner. As an operator of goods closely related to clothing such as “wool, scarf thread, cashmere thread,” Mi Qi Company should be aware of the popularity of the trademark involved; nonetheless, in its own self-operated online store it prominently used a logo that is almost identical to the trademark involved, which constitutes blatant bad-faith intent. Given the time span of the infringement, the subjective maliciousness of Mi Qi Company was obvious, and the infringement serious. The amount of compensation was determined based on twice the profit of the Mi Qi Company that resulted from the infringement.

3) Adidas and Ruan Guoqiang and others in the trademark infringement dispute case¹⁴

Adidas owns the “adidas” series of trademark rights and is well-known. Zhengbang Company, funded and registered by Ruan Guoqiang and others, was subject to seizures by the administrative department three times from 2015 to 2017 for infringing on Adidas’s “adidas” series trademark rights, and was punished with administrative penalties. The cumulative number of infringing products reached more than 17,000 pairs. Adidas filed a civil lawsuit, requesting the application of punitive damages and that Ruan Guoqiang and others compensate Adidas for economic losses of RMB 2.6 million.

The Intermediate People’s Court of Wenzhou City, Zhejiang Province held that Zhengbang Company’s subjective malice was obvious, the alleged infringement lasted a long time, and the consequences were severe, all of which together qualified as “serious circumstances” (justifying the awarding of punitive damages). The court selected RMB 189 (US \$30) per pair of genuine shoes as the basis for calculation, adopted the 50.4 percent gross profit rate shown in the 2017 financial statements provided by Adidas, and calculated the 6,050 pairs of shoe uppers seized from Zhengbang as the sales volume. In addition, considering that the accused infringing products were all shoe upper products, not finished shoes, and could not be directly used in the consumer field, a 40 percent deduction was made as appropriate. Finally, the amount of punitive compensation of RMB 1,000,000 was determined by calculating three times the economic loss of Adidas of RMB 345,779 (around US \$54,000).

¹³ (2015) Beijing Intellectual Property Court, Jing Zhi Min Chu Zi No. 1677

¹⁴ (2019) Hangzhou Railway Court, Zhe 8601 Min Chu No.1364; (2020) Hangzhou Intermediate People’s Court, Zhe01 Min Zhong No. 5872

Another Important Case:

Trademark Infringement Dispute—Wyeth Corporation vs Guangzhou Wyeth¹⁵

The “Wyeth” brand is a famous US brand in the infant formula industry. The plaintiff Wyeth Corporation is the trademark holder of “惠氏” (HUI SHI, Wyeth’s corresponding Chinese mark) and “Wyeth” trademarks. The defendant Guangzhou Wyeth, founded in 2010, conducted long-term and large-scale production, sales of mother and childcare products bearing logos such as “惠氏,” “Wyeth,” “Wyeth baby lion,” and obtained “惠氏,” and “Wyeth” trademarks in the category of toiletries by squatting and assignment. Guangzhou Wyeth also implied in its promotional activities that it has some association with the U.S. based Wyeth Corporation.

In April 2021, the Zhejiang High People’s Court held a second trial, handed down the verdict, and ordered the defendant to pay punitive damages of RMB 30 million (around US \$4.6 million) and reasonable costs of RMB 550,000 (around US \$85,000).

In the trial of this case, the court further clarified the criteria for determining “intentional” and “serious” elements justifying the award of punitive damages, calculated the profits from the infringement by referring to the evidence submitted by the plaintiff and the defendant, and calculated the base amount and the multiple separately, which effectively punished this serious infringement of intellectual property rights.

4. Conclusion

Based on the above introduction to PRC law changes and court interpretations, China has shown its determination to tackle trademark infringement. The increase of statutory compensation for trademark infringement not only may act as a deterrent to trademark squatters, but also may encourage genuine brand owners to enforce their trademark rights in China.

Our survey was started in 2020, shortly after the amended PRC Trademark Law was implemented, and the public was not yet confident about the positive impact of punitive damages. Therefore, the survey results principally reflect rights owners’ and practitioners’ views on the improvements of both trademark legislation and implementation.

The issuance of the Interpretation is an important measure in the implementation of the punitive damages system and demonstrates the determination of the People’s Courts to comprehensively strengthen the judicial protection of intellectual property rights. It is of great significance for further optimizing the legal environment for technological innovation.

The SPC’s Typical Cases (2021) reflect implementation of the increased penalties and the Interpretation regarding determination and calculation of punitive damages and statutory damages serves as precedential guidance and reference for courts at all levels in China as well as for practitioners.

While the overall enforcement environment in China is improving, including in terms of the administration, legislation, and penalties of the trademark regime, right holders are still facing challenges, e.g., calculating the bases for damages and lowering the standard of proof required by the courts.

¹⁵ 2019) Hangzhou Intermediate People’s Court, Zhe Min Chu No. 412

Practice Tips

Evidence is the key for punitive damages. It is important to collect evidence involved in the calculation, such as sales volume, unit price, profit margin, number of shops of all distribution channels, infringement duration, market share, and royalties.



Brand owners can request a court to order defendants to provide the account books or other related materials.



Third party data or industry information are also helpful if the brand owner cannot find data regarding the defendant.



It is also possible to request that a court issue an investigation order against a defendant.




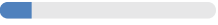
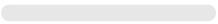
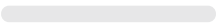

Remember to continuously monitor defendants for repeated infringement.

Appendices

Appendix I






Detailed Responses to Workshop Survey

Q1 Your occupation:





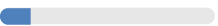
CHOICE	TOTAL	SCORE
A. LAWYER OR AGENT	46	 77.97%
B. IN-HOUSE CORPORATE LEGAL OR RESPONSIBLE PERSON	11	 18.64%
C. EXAMINATION AUTHORITY STAFF	0	 0%
D. OTHER (PLEASE SPECIFY:)	0	 0%
N/A		 3.39%
		PRC Domestic Foreign
SURVEYED IN TOTAL	59	

(Note: N/A means “not applicable” or “not available” in the survey)

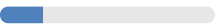
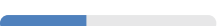


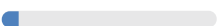
Q2 According to your experience, after implementation of the amended Trademark Law, how effective has the China National Intellectual Property Administration (CNIPA) been in curbing and cracking down on bad-faith preemptive trademarks?

CHOICE	TOTAL	SCORE
A. Very Good	6	 10.17%
B. Better	40	 67.8%
C. Average	8	 13.56%
D. Worse	1	 1.69%
N/A	4	 6.78%
SURVEYED IN TOTAL	59	



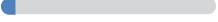
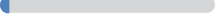
Q3 In your opinion, are CNIPA's determination criteria in respect of Article 4 “bad-faith trademark applications” and hoarding consistent and easily grasped?

CHOICE	TOTAL	SCORE
A. VERY CONSISTENT AND EASILY GRASPED	5	 8.47%
B. RELATIVELY CONSISTENT, BUT DIFFICULT TO GRASP IN CERTAIN CIRCUMSTANCES	35	 59.32%
C. VERY INCONSISTENT AND BEWILDERING	5	 8.47%
D. OTHER (PLEASE SPECIFY:)	7	 11.86%
N/A	7	 11.86%
SURVEYED IN TOTAL	59	

Q4 Article 68 provides “[f]or bad-faith applications to register trademarks, administrative penalties such as warnings and fines shall be given according to the circumstances; for trademark lawsuits filed in bad faith, the People’s Courts shall impose penalties according to law.” According to the “Provisions for Regulating Trademark Application and Registration Conduct,” for applicants who apply for trademark registrations in bad faith, “[i]f there is illegal income, a fine of up to three times the illegal income of up to RMB 30,000 may be imposed; if there is no illegal income, a fine of less than RMB 10,000 may be imposed.” In your opinion, how effective are such penalties?

CHOICE	TOTAL	SCORE
A. penalties are appropriate, can fully achieve disciplinary objectives	11	 18.64%
B. penalties are light and may be unable to achieve disciplinary objectives	24	 40.68%
C. penalties are too light, wholly incapable of achieving disciplinary objectives	14	 23.73%
D. I recommend that other disciplinary methods be added (please specify:)	7	 11.86%
N/A	3	 5.08%
SURVEYED IN TOTAL	59	

Q5 Have you encountered trademarks applied for by an enterprise in the normal course of business that were determined to be in violation of Article 4 and rejected, resulting in “unintended harm”?

CHOICE	TOTAL	SCORE
A. No	39	 66.1%
B. Yes, but few	13	 22.03%
C. Yes, and many	4	 6.78%
N/A	7	 5.08%
SURVEYED IN TOTAL	59	


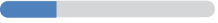
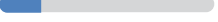
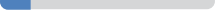
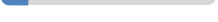
Q6 In your opinion, what sorts of problems is the CNIPA’s application of Article 4 to curb bad-faith trademark applications not intended for use incapable of solving, or what obstacles will be encountered? Will there be unintended harms?

Open-ended responses as detailed above in each corresponding section.

Q7 According to the relevant laws and regulations of your country or region, how do trademark registration authorities curb bad-faith trademark applications not intended for use? What practices do you think the CNIPA could use for reference?

Open-ended responses as detailed above in each corresponding section.

Q8 After the amendment, based on your subjective assessment the percentage of successful oppositions or invalidations is:

CHOICE	TOTAL	SCORE
A. LESS THAN 30%	17	 28.81%
B. AROUND 50%	17	 28.81%
C. AROUND 60%	10	 16.95%
D. HIGHER THAN 70%	7	 11.86%
N/A	8	 13.56%
SURVEYED IN TOTAL	59	



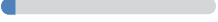
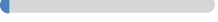
Q9 Do you approve of Article 4's new provisions that "bad-faith registration applications not intended for use should be rejected"? (Please select a score from 1-10; 1 is extremely disapprove, 10 is extremely approve)

CHOICE	TOTAL	SCORE
1 EXTREMELY DISAPPROVE	0	0%
2	0	0%
3	0	0%
4	1	1.69%
5	1	1.69%
6	3	5.08%
7	5	8.47%
8	12	20.34%
9	11	18.64%
10 EXTREMELY APPROVE	20	33.9%
N/A	6	10.17%
SURVEYED IN TOTAL	59	AVERAGE SCORE: 8.62

Q10 How well do you approve of the six factors for consideration listed in "Provisions for Regulating Trademark Application and Registration Conduct" Article 8, effective on December 1, 2019, in determining "bad-faith registrations not intended for use" (please select a score from 1-10; 1 is extremely disapprove, 10 is extremely approve)?

ITEM	AVERAGE SCORE
A. NUMBER OF APPLICATIONS THE APPLICANT HAS FILED	7.4
B. APPLICANT'S INDUSTRY, OPERATING CONDITIONS, ETC.	7.24
C. EFFECTIVE ADMINISTRATIVE DECISIONS OR JUDICIAL JUDGEMENTS OF APPLICANT'S PREVIOUS ACTS OF BAD-FAITH TRADEMARK REGISTRATION OR INFRINGEMENT	8.94
D. WHETHER THE APPLIED-FOR MARK IS THE SAME AS OR SIMILAR TO ANOTHER'S TRADEMARK HAVING A CERTAIN LEVEL OF NOTORIETY	8.77
E. WHETHER THE APPLIED-FOR MARK IS THE SAME AS OR SIMILAR TO THE NAME OF A FAMOUS INDIVIDUAL, COMPANY NAME, SHORT NAME OF AN ENTERPRISE, OR OTHER COMMERCIAL SIGNS	8.9
F. OTHER FACTORS AS DETERMINED BY THE TM REGISTRATION DEPARTMENT	6.9
TOTAL AVERAGE:	8.03

Q5 Have you encountered trademarks applied for by an enterprise in the normal course of business that were determined to be in violation of Article 4 and rejected, resulting in “unintended harm”?

CHOICE	TOTAL	SCORE
A. No	39	 66.1%
B. Yes, but few	13	 22.03%
C. Yes, and many	4	 6.78%
N/A	7	 5.08%
SURVEYED IN TOTAL	59	


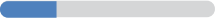
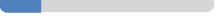
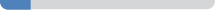
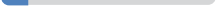
Q6 In your opinion, what sorts of problems is the CNIPA’s application of Article 4 to curb bad-faith trademark applications not intended for use incapable of solving, or what obstacles will be encountered? Will there be unintended harms?

Open-ended responses as detailed above in each corresponding section.

Q7 According to the relevant laws and regulations of your country or region, how do trademark registration authorities curb bad-faith trademark applications not intended for use? What practices do you think the CNIPA could use for reference?

Open-ended responses as detailed above in each corresponding section.

Q8 After the amendment, based on your subjective assessment the percentage of successful oppositions or invalidations is:

CHOICE	TOTAL	SCORE
A. LESS THAN 30%	17	 28.81%
B. AROUND 50%	17	 28.81%
C. AROUND 60%	10	 16.95%
D. HIGHER THAN 70%	7	 11.86%
N/A	8	 13.56%
SURVEYED IN TOTAL	59	

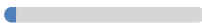




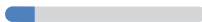
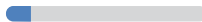
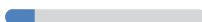



Q9 Do you approve of Article 4's new provisions that "bad-faith registration applications not intended for use should be rejected"? (Please select a score from 1-10; 1 is extremely disapprove, 10 is extremely approve)

CHOICE	TOTAL	SCORE
1 EXTREMELY DISAPPROVE	0	0%
2	0	0%
3	0	0%
4	1	1.69%
5	1	1.69%
6	3	5.08%
7	5	8.47%
8	12	20.34%
9	11	18.64%
10 EXTREMELY APPROVE	20	33.9%
N/A	6	10.17%
SURVEYED IN TOTAL	59	AVERAGE SCORE: 8.62





Q10 How well do you approve of the six factors for consideration listed in "Provisions for Regulating Trademark Application and Registration Conduct" Article 8, effective on December 1, 2019, in determining "bad-faith registrations not intended for use" (please select a score from 1-10; 1 is extremely disapprove, 10 is extremely approve)?

ITEM	AVERAGE SCORE
A. NUMBER OF APPLICATIONS THE APPLICANT HAS FILED	7.4
B. APPLICANT'S INDUSTRY, OPERATING CONDITIONS, ETC.	7.24
C. EFFECTIVE ADMINISTRATIVE DECISIONS OR JUDICIAL JUDGEMENTS OF APPLICANT'S PREVIOUS ACTS OF BAD-FAITH TRADEMARK REGISTRATION OR INFRINGEMENT	8.94
D. WHETHER THE APPLIED-FOR MARK IS THE SAME AS OR SIMILAR TO ANOTHER'S TRADEMARK HAVING A CERTAIN LEVEL OF NOTORIETY	8.77
E. WHETHER THE APPLIED-FOR MARK IS THE SAME AS OR SIMILAR TO THE NAME OF A FAMOUS INDIVIDUAL, COMPANY NAME, SHORT NAME OF AN ENTERPRISE, OR OTHER COMMERCIAL SIGNS	8.9
F. OTHER FACTORS AS DETERMINED BY THE TM REGISTRATION DEPARTMENT	6.9
TOTAL AVERAGE:	8.03

Q11 In practice, how satisfied are you with the provisions of the Trademark Law that regulate trademark agent misconduct? (please select a score from 1-10; 1 is extremely dissatisfied, 10 is extremely satisfied)

CHOICE	TOTAL	SCORE
1 EXTREMELY DISSATISFIED	2	 3.39%
2	3	 5.08%
3	3	 5.08%
4	3	 5.08%
5	13	 22.03%
6	7	 11.86%
7	5	 8.47%
8	7	 11.86%
9	2	 3.39%
10 EXTREMELY SATISFIED	5	 8.47%
N/A	9	 15.25%
SURVEYED IN TOTAL	59	AVERAGE SCORE: 5.9

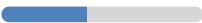
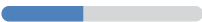



Q12 Do you think that a trademark agency has the right to refuse to submit an application for trademark registration on the grounds that your trademark text will easily cause harmful effects?

CHOICE	TOTAL	SCORE
A. YES, I TRUST THE AGENCY'S JUDGMENT;	25	 42.37%
B. NO, THE AGENCY HAS NO RIGHT TO MAKE VALUE JUDGMENTS ON MY TRADEMARK TEXT;	17	 28.81%
C. NO, ONLY THE CNIPA AND THE COURTS HAVE THE RIGHT TO JUDGE WHETHER MY TRADEMARK TEXT WILL EASILY CAUSE HARMFUL EFFECTS	12	 20.34%
N/A	5	 8.47%
SURVEYED IN TOTAL	59	




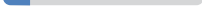

Q13 Are there any laws and regulations governing trademark agency behavior in your country and, if so, which provisions most merit being considered for reference?

Open-ended responses as detailed above in each corresponding section.

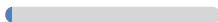

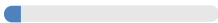
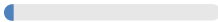
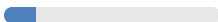
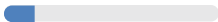





Q14 What kinds of unbearable trademark agency behavior have you encountered? [okay to select more than one]

CHOICE	TOTAL	SCORE
A. NOT TIMELY REPORTING CASE PROGRESS;	26	 44.07%
B. UNPROFESSIONAL LEGAL ADVICE;	25	 42.37%
C. ARBITRARY CHARGES;	17	 28.81%
D. OTHER (PLEASE SPECIFY:)	16	 27.12%
N/A	12	 20.34%
SURVEYED IN TOTAL	59	

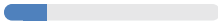



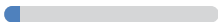
Q15 Have you ever encountered a trademark agency representing you and the conflicting party's trademark business at the same time? In view of this situation, do you think that trademark agencies need to introduce a conflict-of-interest review system before accepting entrustment of the matter?

CHOICE	TOTAL	SCORE
A. ENCOUNTERED, NEED;	16	 27.12%
B. ENCOUNTERED, NO NEED, AGENCY TO IMPLEMENT ON ITS OWN INITIATIVE;	5	 8.47%
C. NOT ENCOUNTERED, NO NEED, AGENCY TO IMPLEMENT ON ITS OWN INITIATIVE;	13	 22.03%
D. OTHER	16	 27.12%
N/A	9	 15.25%
SURVEYED IN TOTAL	59	



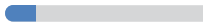
Q16 The Trademark Law was amended in 2019 to increase the amount of infringement compensation. What do you think of the crackdown's effect? (please select a score from 1-10; 1 is very bad, 10 is very good)

CHOICE	TOTAL	SCORE
VERY BAD	1	 1.69%
2	2	 3.39%
3	3	 5.08%
4	2	 3.39%
5	11	 18.64%
6	7	 11.86%
7	12	 20.34%
8	12	 20.34%
9	1	 1.69%
VERY GOOD	0	 0%
N/A	8	 13.56%
SURVEYED IN TOTAL	59	TOTAL AVERAGE: 6.04

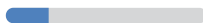




Q17 The 2019 amended Trademark Law Article 63 provision on compensation ranges for willful infringement in serious circumstances changed the prior “one to three times” to “one to five times” and statutory damages are raised from RMB 3 million to RMB 5 million. Do you think that such increases in compensation for trademark infringement can effectively curb trademark infringement?

CHOICE	TOTAL	SCORE
A. UNCERTAIN	14	 23.73%
B. NO	7	 11.86%
C. MAYBE	33	 55.93%
D. VERY CERTAIN	1	 1.69%
N/A	4	 6.78%
SURVEYED IN TOTAL	59	

Q18 Have you kept abreast of post-amendment PRC court judgments?

CHOICE	TOTAL	SCORE
A. YES	31	 52.54%
B. NO	20	 33.9%
NOT SO SURE	8	 13.56%
SURVEYED IN TOTAL	59	


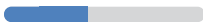

Q19 What do you think of the effect on the court's post-amendment rulings on compensation amounts?

CHOICE	TOTAL	SCORE
A. GOOD	7	 22.58%
B. AVERAGE	15	 48.39%
C. NOT GOOD	3	 9.68%
D. UNCLEAR	5	 16.13%
N/A	1	 3.23%
SURVEYED IN TOTAL	31	


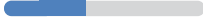


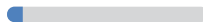
Q20 If you think court compensation awards are insufficient, what do you think is the main reason? [Do you have any] recommendations?

Open-ended responses as detailed above in each corresponding section.

Q21 Have you kept abreast of post-amendment PRC Market Supervision Bureau (MSB) enforcement?

CHOICE	TOTAL	SCORE
A. YES	28	 47.46%
B. NO	24	 40.68%
NOT GOOD	7	 11.86%
SURVEYED IN TOTAL	59	


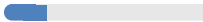


Q22 What do you think of the effectiveness of MSB enforcement?

CHOICE	TOTAL	SCORE
A. BETTER	9	 32.14%
B. AVERAGE	12	 42.86%
C. NOT GOOD	3	 10.71%
D. UNCLEAR	3	 10.71%
N/A	1	 3.57%
SURVEYED IN TOTAL	28	

Q23 If you think the effectiveness is not ideal, what do you think is the main reason? Do you have any recommendations?

Open-ended responses as detailed above in each corresponding section.

Q24 The amended Trademark Law empowers the courts to order the destruction of materials and tools that are mainly used to manufacture counterfeit registered trademarks, or in special cases, to prohibit the foregoing materials and tools from entering commercial channels without compensation. Do you think this will encourage rights holders to go to court when they encounter infringement issues?

CHOICE	TOTAL	SCORE
A. YES	30	 50.85%
B. NO	14	 23.73%
C. UNCLEAR (IS SPECIFIC APPLICATION OF THIS PROVISION AWAITING ANY CLARIFICATION?)	8	 13.56%
N/A	7	 11.86%
SURVEYED IN TOTAL	59	

Q25 Punitive compensation is included in the PRC Civil Code. What punitive compensation provisions from your jurisdiction can be provided for reference?

Open-ended responses as detailed above in each corresponding section.

Appendix II

Post-2019 Amended PRC Trademark Law Implementation Survey

1. Your occupation:

- A. lawyer or agent
- B. in-house corporate legal or responsible person
- C. examination authority staff
- D. other (please specify:)

2. According to your experience, after implementation of the amended Trademark Law, how effective has the China National Intellectual Property Administration (CNIPA) been in curbing and cracking down on bad-faith preemptive trademarks?

- A. very good
- B. better
- C. average
- D. worse

3. In your opinion, is application of Article 4 in respect of “bad-faith trademark applications” and hoarding sufficiently clear and specific?

- A. very clear and specific
- B. majority of the time it is sufficiently clear, sometimes there are uncertain points; if you select this answer, what problems have you identified?
- C. majority of the time it is insufficiently clear, I recommend further specificity; if you select this answer, what suggestions do you have?
- D. if none of the above describes your opinion, your suggestions are:

(If selected, but no specific issue is stated, this will not affect the next question)

4. In your opinion, are CNIPA’s determination criteria in respect of Article 4 “bad-faith trademark applications” and hoarding consistent and easily grasped?

- A. very consistent and easily grasped
- B. relatively consistent, but difficult to grasp in certain circumstances
- C. very inconsistent and bewildering
- D. other (please specify:)

(If selected, but no specific issue is stated, this will not affect the next question)

5. Article 68 provides “[f]or bad-faith applications to register trademarks, administrative penalties such as warnings and fines shall be given according to the circumstances; for trademark lawsuits filed in bad faith, the People’s Courts shall impose penalties according to law.” According to the “Provisions for Regulating Trademark Application and Registration Conduct,” for applicants who apply for trademark registrations in bad faith, “[i]f there is illegal income, a fine of up to three times the illegal income of up to RMB 30,000 may be imposed; if there is no illegal income, a fine of less than RMB 10,000 may be imposed.” In your opinion, how effective are such penalties?

- A. penalties are appropriate, can fully achieve disciplinary objectives
- B. penalties are light and may be unable to achieve disciplinary objectives
- C. penalties are too light, wholly incapable of achieving disciplinary objectives
- D. I recommend that other disciplinary methods be added (please specify:)

6. Have you encountered trademarks applied for by an enterprise in the normal course of business that were determined to be in violation of Article 4 and rejected, resulting in “unintended harm”?

- A. no
- B. yes, but few
- C. yes, and many

7. In your opinion, what sorts of problems is the CNIPA’s application of Article 4 to curb bad-faith trademark applications not intended for use incapable of solving, or what obstacles will be encountered? Will there be unintended harms?

8. According to the relevant laws and regulations of your country or region, how do trademark registration authorities curb bad-faith trademark applications not intended for use? What practices do you think the CNIPA could use for reference?

9. Percentage of cases against bad-faith registrations received before the November 1, 2019 Trademark Law amendment that were successful (please fill in the percentage); after amendment, the percentage of successful oppositions or invalidations is:

- A. less than 30%
- B. around 50%
- C. around 60%
- D. higher than 70%

10. Do you approve of Article 4’s new provisions that “bad-faith registration applications not intended for use should be rejected”? (Please select a score from 1–10; 1 is extremely disapprove, 10 is extremely approve)

11. How well do you approve of the six factors for consideration listed in “Provisions for Regulating Trademark Application and Registration Conduct” Article 8, effective on December 1, 2019, in determining “bad-faith registrations not intended for use” (score 1–10)?

- A. number of applications the applicant has filed (please select a score from 1–10; 1 is extremely disapprove, 10 is extremely approve)
- B. applicant’s industry, operating conditions, etc. (please select a score from 1–10; 1 is extremely disapprove, 10 is extremely approve)
- C. situation of determination of applicant previous acts of bad-faith trademark registration or infringement (please select a score from 1–10; 1 is extremely disapprove, 10 is extremely approve)
- D. whether the applied-for mark is the same as or similar to another’s trademark having a certain level of notoriety (please select a score from 1–10; 1 is extremely disapprove, 10 is extremely approve)
- E. whether the applied-for mark is the same as or similar to the name of a famous individual, company name, short name of an enterprise, or other commercial signs (please select a score from 1–10; 1 is extremely disapprove, 10 is extremely approve)
- F. other factors as determined by the TM registration department (please select a score from 1–10; 1 is extremely disapprove, 10 is extremely approve)

12. In practice, how satisfied are you with the provisions of the Trademark Law that regulate trademark agent misconduct? (please select a score from 1–10; 1 is extremely dissatisfied, 10 is extremely satisfied)

13. Do you think that a trademark agency has the right to refuse to submit an application for trademark registration on the grounds that your trademark text will easily cause harmful effects?

- A. yes, I trust the agency’s judgment;
- B. no, the agency has no right to make value judgments on my trademark text;
- C. no, only the CNIPA and the courts have the right to judge whether my trademark text will easily cause harmful effects

14. Are there any laws and regulations governing trademark agency behavior in your country and, if so, which provisions most merit being considered for reference?

15. What kinds of unbearable trademark agency behavior have you encountered? [okay to select more than one]

- A. not timely reporting case progress;
- B. unprofessional legal advice;
- C. arbitrary charges;
- D. other (please specify:)

16. Have you ever encountered a trademark agency representing you and the conflicting party's trademark business at the same time? In view of this situation, do you think that trademark agencies need to introduce a conflict-of-interest review system before accepting entrustment of the matter?

- A. encountered, need;
- B. encountered, no need, agency to implement on its own initiative;
- C. not encountered, no need, agency to implement on its own initiative;
- D. other

17. The Trademark Law was revised in 2019 to increase the amount of infringement compensation. What do you think of the crackdown's effect? (please select a score from 1-10, 1 is very bad, 10 is very good)

18. The 2019 Amended Trademark Law Article 63 provision on compensation ranges for willful infringement in serious circumstances changed the prior "one to three times" to "one to five times" and statutory damages are raised from RMB 3 million to RMB 5 million. Do you think that such increases in compensation for trademark infringement can effectively curb trademark infringement?

- A. uncertain
- B. no
- C. maybe
- D. very certain

19. Have you kept abreast of post-amendment PRC court judgments?

- A. yes; what do you think of the effect on the court's post-amendment rulings on compensation amounts?
 - a) good
 - b) average
 - c) not good
 - d) unclear

B. no

If you think court compensation awards are insufficient, what do you think is the main reason? [Do you have any] recommendations?

20. Have you kept abreast of post-amendment PRC Market Supervision Bureau (MSB) enforcement?

A. yes; what do you think of the effectiveness of MSB enforcement?

- a) better
- b) average
- c) not good
- d) unclear

B. no

C. If you think the effectiveness is not ideal, what do you think is the main reason? [Do you have any] recommendations?

21. The amended Trademark Law empowers the court to order the destruction of materials and tools that are mainly used to manufacture counterfeit registered trademarks, or in special cases, to prohibit the foregoing materials and tools from entering commercial channels without compensation. Do you think this will encourage rights holders to go to court when they encounter infringement issues?

A. yes

B. no

C. unclear (is specific application of this provision awaiting any clarification?)

22. Punitive compensation is included in the PRC Civil Code. What punitive compensation provisions from your jurisdiction can be provided for reference?

Appendix III

Referenced Sources

- <https://www.inta.org/perspectives/china-new-balance-wins-a-hard-battle/>
- <https://www.inta.org/perspectives/china-ip-agents-fined-for-filing-coronavirus-related-marks-in-bad-faith-in-china/>
- <https://www.inta.org/perspectives/china-damages-clarified-exemplary-cases-released/>
- <https://www.inta.org/perspectives/china-bad-faith-registration-can-be-unfair-competition/>
- <https://www.inta.org/perspectives/china-revisions-coming-to-business-blacklist/>
- <https://www.inta.org/perspectives/china-company-may-not-use-michael-jordan-name/>
- <https://www.inta.org/perspectives/china-beijing-higher-peoples-court-dismisses-aws-appeal/>
- <https://www.inta.org/perspectives/china-facebook-inc-loses-facebook-trademarks/>
- <https://www.inta.org/perspectives/china-wyeth-wins-on-infringement-unfair-competition/>
- <https://www.inta.org/perspectives/china-key-issues-in-deceptive-trademark-cases-clarified/>



**International
Trademark
Association**

CHINA OFFICE

**1202A, 12/F, FINANCIAL STREET EXCEL CENTRE
6 WUDINGHOU STREET**

XICHENG DISTRICT, BEIJING 100032 CHINA

地址:北京市西城区武定侯街6号卓著中心12层1202A

TEL: +86-21-6103-7536