

## 2019 Revision of law of the People's Republic of China

### Revision of Law on Countering Unfair Competition

The 10th session of the Standing Committee of the 13th National People's Congress of People's Republic of China amended the Countering Unfair Competition Law among another seven existing laws of the People's Republic of China in a Decision issued on 23rd April 2019.

According to this Decision, amendments to the Countering Unfair Competition Law of the People's Republic of China covered the following six aspects:

**1. Newly added confidentiality obligations:**

Article 9 adds "a violation of confidentiality obligations constitutes a violation of trade secrets."

**2. Instigating, tempting, and helping others to infringe:**

A new clause is added to Article 9, stipulating that the auxiliary behaviour of instigating, tempting, and helping others to violate confidentiality obligations, or to release a trade secret to a third party is also an infringement of the trade secret right.

**3. Expansion of the subject of infringement:**

According to the fourth clause of Article 9, the infringement subject has been expanded from "operators" to include "operators, other natural persons, legal persons and unincorporated organizations".

**4. The scope of third party infringement narrowed down:**

Article 9 imposes restrictions on defining a third party infringement. A third party that knowingly acquires a trade secret through theft, bribery, fraud, coercion, or other illegal measures, and still uses, or allows others to use, the trade secret, must be considered an infringer. At the same time, a third party which acquires a trade secret through proper and legal means shall no longer be deemed as infringer to the rights of trade secrets holder.

**5. Expansion of the scope of trade secrets:**

A clause is added to Article 9, according to which "business information, such as technical information and business information, shall be deemed as trade secrets."

**6. Increased legal liabilities:**

A. If the compensation amount can be deemed a serious infringement: Article 17 adds that, "the amount of compensation has been adjusted from "actual loss of right holder or benefit gained by infringer" to "no more than 5 times of the actual loss of right holder or benefit gained by infringer".

B. When the amount of compensation is difficult to determine: The amount of compensation stipulated for this scenario in Article 17 is changed from "under 3 million RMB" to "under 5 million RMB".

C. Expansion of legal responsibility: Article 21 expands the subject of legal liability from "operators" to "operators, other individuals, legal persons and other unincorporated entities".

D. Increased monetary punishment: According to the amendment of Article 21, a penalty method to confiscate illegal income is newly introduced, and the penalty amount has been revised from the previous 100,000 RMB to 500,000 RMB" to "100,000 RMB to 1,000,000 RMB ". In addition, the value of fines for serious infringement was revised from "500,000 RMB to 3,000,000 RMB "to "500,000 RMB to 5,000,000 RMB."

E. Increased burden of proof on the infringer: Article 32 adds:

“In the civil trial procedure for infringement of trade secret right:

- in the event that the trade secret owner provides prima facie evidence that confidentiality measures of the claimed trade secret have been taken, and that there is reasonably convincing proof of infringement of trade secret, the alleged infringer shall bear more liability to prove that the trade secret claimed by the right holder does not constitute a trade secret as stipulated in this law; and
- in the event that the trade secret owner provides prima facie evidence that the trade secret has been infringed and further provides one of the following:
  - evidence that the alleged infringer has access or channels to the trade secret and that the infringement information used is essentially the same as the trade secret;
  - evidence that the trade secret has been disclosed, used, or disclosed or used by the alleged infringer;
  - other evidence that the trade secret has been violated by the alleged infringer.

In case of the above circumstances being fulfilled, the burden of proof shall be reversed such that the alleged infringer shall prove that there is no infringement upon the trade secret.

## Revision of Trade Mark Law

The amendments to the Trademark Law of the People’s Republic of China mainly involve the following two aspects: registration of malicious trademarks and penalties for infringement on the exclusive use of registered trademarks.

### Malicious trademark registration

The revision of the trademark law endeavours to better combat registration with a malicious intention through several newly imposed restrictions:

A. Registration and approval:

The first clause of Article 4 prescribes that a malicious trademark that is not intended for use shall be rejected in trademark examination.

B. Agent registration:

According to the third clause of Article 19, if trademark agency is aware of or is supposed to be aware of the malicious purpose of such a registration, it shall refrain from accepting such an instruction.

C. Publication period after preliminary examination:

Based on the prescription of Article 33, within three months from the date of the trademark publication, any person who believes the trademark to be in violation of the provisions of Article 4 and the fourth clause of Article 19 may file an objection to the Trademark Office.

D. Registered trademarks:

The first clause of Article 44 is amended as follows: “If a registered trademark violates the provisions of Article 4 and the fourth clause of Article 19, the Trademark Office shall declare the registered trademark invalid.

Other organisations or individuals may appeal for a review by the Adjudication Board to declare the registered trademark invalid.”

## E. Administrative and judicial penalties:

A fourth clause is added to Article 68: "When a malicious application for trademark registration is spotted, an administrative penalty such as a warning or a fine shall be given accordingly subject to the circumstances; and the people's court shall impose penalties according to law."

## Penalties for infringement

The penalties for infringement upon the exclusive use of registered trademarks increased in severity:

### A. For serious infringement:

The penalty of "one to three times" in the first clause of Article 63 is amended to "one to five times".

### B. When difficult to determine the actual loss of right holder or gain of infringer:

The amount of compensation for the registered trademark right holder shall be changed from "up to three million yuan" to "up to five million yuan", reads in the third clause of Article 63.

### C. Handling of infringing goods:

A fourth clause is added to Article 63: "The infringing goods themselves, except in special circumstances, shall be destroyed, and shall not to enter commercial channels even after the removal of counterfeit trademarks."

### D. Raw materials and tools for the production of infringing goods:

According to the newly added fourth clause of Article 63, the materials and tools mainly used to manufacture infringing goods shall be destroyed without compensation; or in special circumstances, ordered to be prohibited from entering commercial channels without compensation.

### E. Counterfeit goods after removal of counterfeit trademarks:

The newly added fifth clause of Article 63 places a special emphasis that such infringing goods cannot enter commercial channels.

The revised provision of the Trademark Law of the People's Republic of China will not come into force until November 1, 2019.

## The Beijing High People's Court Guidelines for the Trial of Trademark Right Granting and Verification Cases

On the 24th April 2019, on the eve of the 19th World Intellectual Property Day, the Beijing Higher People's Court officially issued the Guideline for the Trial of Trademark Right Granting and Verification Cases in both Chinese and English (hereinafter referred to as the Guide for Trial).

The Guide for Trial can be divided into two parts: procedural and substantive. Most of the clauses therein, based on the existing and effective laws, judicial interpretations, guiding cases, and reference cases, are summary and refinement of the rules and insights yielded through years of extensive judicial practices by the Beijing High People's Court.

Firstly, the procedural issues addressed therein concerns several aspects: including the determination of subject eligibility, the scope of review, service, determination of "double jeopardy", dealing with acts of renewal and other procedural matters. With a specific effect to distinguish "procedural flaws" from "procedural violations", the procedural part of the Guide for Trial targets at the further standardization of the administrative examination and a boost in efficiency.

Secondly, the substantive matters are mainly about the following issues:

- Establishing basic principles of honesty and trustworthiness in trademark law
- Acceptance of transferred trademark not affecting termination of relevant clauses
- Processing of any registrant being revoked or cancelled
- Marks containing a country name
- Determination of fraudulent registration of trademarks using corporate names
- Protection of the diseased personalities, “standard use of words”
- Trademarks using geographical names
- Distinctiveness of new types trademarks, three-dimensional marks and well-known trademarks
- Determination of the terms “without authorization” and “earlier use” and “misleading to the public”, “commercialized right”, “specific conditions”, malicious rush registration, judgement of certain influence, pure export behaviour, “five-year period”, and of illegal use.
- Principles of similar trademark judgment

The substantive part has a special emphasis on well-known marks, prior use, marks misleading to the public and malicious registration, aimed at the promotion of legal use and registration of trademarks.

The publication of the Guide for Trial is expected to lift and unify the standards of relevant trials in the Beijing courts, improve the efficiency of trademark examination, enhance the predictability of litigation results, and optimize the use of social resources.

*For further information on the recent legal updates to Chinese trade mark law, please contact Handong Ran, head of our China team: [handong.ran@maucherjenkins.com](mailto:handong.ran@maucherjenkins.com)*

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