

An Updated Review of Legal Basis Against Bad Faith Filing in China

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Regarding issue of the bad faith filing in China, some right owners are often confused by the various requirements to sustain bad faith claims in different trademark proceedings. Why could the bad faith claim get supported in some cases even if the right owner's prior trademark had not become famous whereas in other cases the right owner's prior trademark had obtained certain influence, their claim of bad faith was not supported? Can bad faith be the sole ground to succeed? I hope to clarify the issues through my following specific comments on the relevant articles against bad faith under the current Trademark Law (2019).

- ***Article 4: Where a natural person, legal person or organization needs to obtain the exclusive right to use a trademark for its goods or services in production and operation activities, it shall apply to the Trademark Office for trademark registration. An application for registration of trademark in bad faith that is not intended for use shall be rejected.***

The highlight of the new Trademark Law (2019) is the amendment of Article 4. It is worth mentioning that the old Article 4 was generally believed to require an applicant to have the purpose of commercial use when applying for a trademark. However, the old Article 4 was a general article, not a specific legal basis for the disapproval of a trademark registration. Based on the principle of statutory authority, it was improper for the China National IP Administration (CNIPA), which has incorporated the Trademark Office (CTMO) and the former Trademark Review & Adjudication Board (TRAB), to directly apply this article to the examination of specific cases. Instead, the spirit of Article 4 was considered to have been embodied in other articles and the CNIPA or the right owner can base the grounds on other more specific articles, rather than Article 4. The criticism was that to get support based on the other more specific articles, the lack of "purpose for use" is not the sole requirement, but such other requirements as prior famous status of the real right owner's mark have to be met simultaneously, which can be very difficult or even impossible for the right owner whose trademark has not been put into substantial use in China.

The new 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 “intention to use” for the first time. More importantly, the new Article 4 is explicitly listed as one of the absolute grounds for rejection, opposition or invalidation. On the one hand, the Trademark Office 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, whether their marks have reached famous status in China or not, are entitled to oppose or invalidate bad faith applications based on this article.

In practice, the applications without real intention to use mainly include the situations where the applicant hoards a large quantity of trademarks which far exceeds its need for business operation, or the applied-for marks of the applicant are identical with or very similar to other parties’ famous or distinctive marks or commercial signs, or the applicant has been dissolved, or the applicant solely aims to sell its marks to make profit.

On October 16, 2019, the State Administration for Market Regulation (SAMR) announced The Rules for Regulating Trademark Registration Applying Conducts. The SAMR explicitly listed in the Rules the six specific elements for the CNIPA to judge bad faith filing, namely,

- (1) The number of applications, designated classes, actual transaction of the trademarks of an applicant or the natural persons, legal persons, and other organizations related to the applicant;
- (2) An applicant’s industry and business situation;
- (3) An applicant was once ruled in an administrative decision or judicial judgement that the applicant registered a trademark in bad faith or infringed another party’s registered trademark;
- (4) An applied-for trademark is identical with or similar to another party’s trademark with certain fame;
- (5) An applied-for trademark is identical with or similar to a famous personal or corporate name, an enterprise name abbreviation, or another business sign etc.; or
- (6) Any other element that the trademark registration organ regards as necessary for consideration.

To date, the above concrete elements have proven consistent and feasible in the judgement of bad faith and effectively cracked down bad faith filing. I believe that as time goes on, the positive effect will be further demonstrated.

- **Article 13 A holder of a trademark that is well known to the relevant public may request for protection of the trademark as a well-known**

trademark in accordance with this Law if the holder is of the opinion that its rights have been infringed upon.

If a trademark applied for registration in respect of the identical or similar goods is a copy, imitation or translation of a well-known mark not registered in China, which may cause confusion, the trademark shall be disapproved of registration and prohibited from use.

If a trademark applied for registration in respect of the not identical or dissimilar goods is a copy, imitation or translation of a well-known mark registered in China, which may mislead the public and possibly prejudice the interests of the registrant of the well-known trademark, the trademark shall be disapproved of registration and prohibited from use.

The bad faith of copying, imitating or translating well-known trademarks mainly includes the situations of diluting the distinctiveness of well-known trademarks by using the trademarks on the related goods or services, destroying the good reputation of well-known trademarks by using the trademarks on the disgusting products (e.g., using a food brand on condom), or improperly hitchhiking the reputation of well-known trademarks to earn profits.

The difficulty of applying Article 13 is that in most case, the trademarks applied-for in bad faith have not yet reached well-known status in China. The proportion of applicable cases is very small.

- **Article 15.1 A trademark shall not be registered and its use shall be prohibited if the agent or representative of the entity who is the owner of a trademark applies, without authorization, for the registration of the trademark in his own name and if the owner raises an opposition.**

Article 15.2 Where a trademark applied for registration is identical with or similar to a prior used trademark of another party that is not registered, in respect of the identical or similar goods, and where the applicant being of contract, business or other relationship except the relationship referred to in the preceding paragraph is fully aware of the existence of the trademark owned by the other party, the trademark shall not be registered, if the other party raises an opposition.

The focus of this article is the prior relationship. The agent or representative mentioned in Article 15.1 refers to the legal representative, director, manager and etc. whose behavior can represent the right owner of the trademark. The

distributors can also be deemed as agent. If the application for the disputed trademark is filed by the agent or representative, the prior use by the right owner is not required.

In contrast, when applying Article 15.2, prior use is required. Unlike Article 32 of the Trademark Law, in this article, the right owner only needs to prove that his trademark has been used in the Chinese market before the application date of the disputed trademark but it is not required to prove that its trademark has become famous.

The difficulty of applying this article in practice lies in the evidence to prove the prior relationship. In business activities, the right owners might fail to save valid evidence, in particular when it comes to cross-border trade where parties made deal through emails and telephones. The diversification of communication tools also makes it difficult to prove identity of the persons in the correspondence.

- ***Article 32 An application for trademark registration shall not damage the existing prior rights of others, nor shall the applicant preemptively register a trademark that has been used by others and has acquired certain influence by improper means.***

If it is a situation involving the first half of the sentence, namely damaging such existing prior rights of others as prior copyright, portrait or name right, bad faith is not a necessary condition. Bad faith is required in the second half of the sentence. In fact, the second half of the sentence is most frequently applied in the cases where the right owner's unregistered mark which has been used in mainland China is maliciously filed by trademark squatters.

Under the second half of the sentence, it is essential to prove the prior influence or reputation of the right owner's trademark acquired in mainland China. The bad faith under this article mainly refers to the possibility of the applicant's prior knowledge of the right owner's prior trademark.

There is no specific stipulation about how high the reputation should be. If the use can enable the applicant to know or to have supposedly known the existence of the prior unregistered trademark, the prior unregistered trademark may be deemed to have certain reputation.

- ***Article 19.3 A trademark agency shall refuse to represent an application that violates Articles 4, 15 or 32.***
- ***Article 19.4 A trademark agency shall not apply for registration of a trademark beyond its representing services.***

This Article aims to regulate the trademark agencies' conducts to forbid representation of bad faith filing and limit the trademark agencies' service marks to the legal services in subclass 4506. Soon after the Trademark Law was revised, the SAMR announced The Rules for Regulating Trademark Registration Applying Conducts to specify the penalties against improper representation.

During the recent battle against covid-19, some agencies represented some squatters to apply for the heroic doctors and hospitals' name as trademarks. The CNIPA announced the representing agencies and corresponding penalties even though some agencies withdrew the applications.

- ***Article 44.1 If a registered trademark violates the provisions of Article 4, Article 10, Article 11, Article 12, Article 19.4 of this Law, or is obtained by deception or other improper means, the Trademark Office may declare the registered trademark invalid; other entities or individuals may request the TRAB to declare the registered trademark invalid.***

As mentioned above, before the 4th revision of the Trademark Law in 2019, in specific cases, although the Article 4 could not be directly used as the legal basis, other articles could be applied in accordance with the legislative spirit or purpose of Article 4.

Back in 2015, the courts and the TRAB reached consensus that the conduct of applying for a large number of other parties' famous or distinctive marks without intention to use but for obtaining improper benefits constitutes a scenario of "registration by other improper means" prescribed under Article 44.1.

It should also be noted that according to the old Trademark Law, Article 44.1 could only be a legal basis in the invalidation procedure. However, from the perspective of the legislative purpose of this article and the interpretation of the trademark legal system, the relevant authorities consider it more appropriate to apply Article 44.1 to the opposition procedures.

That being said, under the old Trademark Law, the threshold of recognizing bad faith based on Article 44.1 was high. Since the 4th revision of the Trademark Law took effect, Article 4 and Article 44.1 have been considered as strong weapons to curb bad faith applications. The trend of the recent cases has shown that the threshold of recognizing bad faith applications based on Article 4 and Article 44.1 has been significantly lowered.

■ **Significance of distinguishing absolute and relative grounds**

The significance of distinguishing absolute and relative grounds lies in the scope of enforcement to be considered in new applications, oppositions and invalidations associated with bad faith.

Article 13, Article 15 and Article 32 are relative grounds concerning the conflict with other parties' prior unregistered trademarks, but the scope shall be limited to the same or similar goods, like Articles 30 and 31 (i.e., the relative grounds not solely made against bad faith). The qualification of a party able to challenge a bad-faith application will be limited to an interested one, whereas an irrelevant party cannot file the opposition or invalidation. The time for filing an opposition is open for three months beginning from the publishing date, whereas the time for filing an invalidation is open for five years after registration. An exception is Article 45. If a party can prove the well-known status in China plus the opposite party's bad faith, there shall be no time limit.

Article 4 and Article 44.1 are absolute grounds. If an applicant's behavior constitutes a bad faith scenario under Article 4 and Article 44.1, there is no limitation of scope. Even if the designated goods or services have no connection with the goods or services which the prior trademark was used for, the bad faith application or registration can be disapproved of registration or invalidated. There is neither time limit nor limitation on qualification under these two articles.

Since the new Trademark Law came into effect on November 1, 2019, the CNIPA and the courts made great achievements in cracking down bad faith filing. As the encouraging trend continues, we believe the Chinese IP environment will be purified to a large extent.