

China's progress in curbing bad faith filing

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Trademark piracy or bad faith filing in China has long been a headache for legitimate trademark owners. The Chinese authorities have made efforts to curb the trend, but not to a satisfactory extent. Beginning in 2014, when China revised its *Trademark Law* for the third time, the Chinese legislative, administrative and judicial organs have become more determined to change the situation. In this article, we would like to update readers on this progress.

1. Judicial progress

In a recent case, the Beijing High People's Court made a landmark ruling by cancelling the disputed trademark "(TAI-NIANG in Chinese; ON WIRIDOU; MAE PLOY & Device)", as shown below, No. 7550445 in class 30 on the basis of bad faith performed by the applicant Yuhang ZENG, even though the Court judged that the challenger's (i.e., Theppadungporn Coconut Company Limited) filed evidence was insufficient to support the challenger's own prior rights.



The applicant filed the disputed trademark in 2009 and the Chinese Trademark Office (CTMO) granted approval in 2010. The challenger requested cancellation of the disputed trademark in 2013 by claiming itself as the genuine owner of the trademark, which is essentially the same trademark without the two Chinese characters.



The challenger also registered the copyright of the drawing in Thailand in 2011. To support the copyright claim, the challenger filed the evidence of prior Thai trademark registration, a declaration of copyright ownership, and certain evidence of prior use and publication.

The challenger also pointed out that the applicant is a habitual trademark pirate, who had applied for 14 other famous trademarks, including “Nestle in Chinese”, “Lee Kum Kee in Chinese”, “Heinz in Chinese”, etc.

Both the Trademark Review and Adjudication Board (TRAB) and the Beijing First Intermediate People's Court (“the First Court”) sustained the challenger’s copyright claim and confirmed the applicant’s bad faith.

Nevertheless, the First Court and TRAB only based their adjudication and ruling on the articles concerning the infringement of prior rights. The owner was dissatisfied with the ruling and appealed to the Beijing High People’s Court, for the reasons below:

- 1) The drawing claimed by the challenger does not enjoy copyright. The filed evidence is insufficient to prove the source of the copyright;
- 2) The date of copyright registration is later than that of application of the disputed trademark;
- 3) It is unreasonable to presume the bad faith in the absence of substantial evidence; and
- 4) The drawing and the disputed trademark are dissimilar.

After examination, the Court made its final ruling as follows:

- 1) The drawing in the copyrighted work is similar to the disputed trademark;
- 2) The applicant’s habitual bad faith is confirmed, since he had applied for many famous trademarks belonging to others. The applicant’s behavior has disturbed the normal order of the trademark registration, and compromised fair competition. The disputed trademark shall be canceled; and
- 3) The copyright registration date is relatively recent and the challenger’s declaration is unilaterally self-produced evidence, which is not convincing. The other prior use and publication evidence cannot prove the copyright ownership. The challenger’s copyright on the claimed work shall not be sustained.

Based on the above, the disputed trademark should be canceled because of the applicant’s habitual acts in bad faith, but not because of copyright infringement.

A habitual bad faith claim is often proposed in trademark oppositions and invalidations. However, in most cases, the relevant authorities do not sustain such claims. In this case, however, even though the final Court refused the claim for prior copyright, it accepted the claim for bad faith because the applicant also registered some others' famous trademarks.

Three of the 14 other trademarks, namely "Nestle in Chinese", "Lee Kum Kee in Chinese", and "Heinz in Chinese", are very well-known to numerous Chinese. This instance of bad faith could not be more obvious. If the Court refused to cancel the disputed trademark simply because the challenger failed to file sufficient evidence like in many other cases, the challenger would have continued to suffer and the applicant would likely have been emboldened to pirate more name brands.

To the relief of this particular challenger, the Court went out of its way to acknowledge the applicant's bad faith, even though the challenger failed to file sufficient evidence to prove the well-known status of the aforesaid three very famous trademarks and the remaining trademarks, which dramatically lightened the challenger's burden of proof.

Owing to China's fundamental first-to-file principle for trademark registration, piracy is rampant. This landmark case, in a large way, symbolizes a change in the way of the Chinese courts' thinking or ruling, a change more in favor of the victims of the bad faith filing.

2. Legislative progress

China has also made substantial efforts to crackdown on bad faith filing by revising its Trademark Law. In the third revision, the legislators have made the positive changes as follows.

- A. Article 7 has been established as a general principle of good faith, to be upheld for filing applications and the use of trademarks. This is the last resort that the authorities can use on condition that other specific articles or rules cannot stop the clear-cut bad faith.

In an opposition to the trademark "BETSEYVILLE & its Chinese characters" No. 14989252, the CTMO reasoned that the applicant of the opposed trademark filed more than 900 trademarks, including many trademarks that were similar to others' some prior used and creative trademarks, and more than 100 of them were opposed. The applicant's application for many trademarks obviously exceeded the normal needs of a business, and the applicant failed to explain this anomaly reasonably. The CTMO thus concluded that the applicant possessed subjective malice in the imitating and copying others' trademark in applying for the opposed trademark, which violates the principle of good

faith.

- B. The revised Article 10.1.7 can forbid the use and registration of trademarks deceptive or likely confusing to the public in terms of the quality, other characteristics or place of production of relevant goods. This article is more applicable to the cases where the trademarks of the legitimate owners are very famous in their industries, while the disputed trademarks were applied for in different industries.

According to this new revision, the CTMO disapproved the registration of the opposed trademark “帕诺兹 (PANOS in Chinese characters) & PANOS ABRUZZI” No. 10615599 in class 4. In this case, the opposed trademark consists of PANOS ABRUZZI and 帕诺兹, and was applied for on the goods “oleine; lubricating oil, etc.” The opponent is a world renowned car maker. Its series sports cars branded with PANOS ABRUZZI have attracted tremendous attention and acquired certain influence since they were put into market. At the same time, the Chinese equivalent 帕诺兹 has been used as the opponent’s Chinese trade name and has acquired certain fame in the car industry through several years of promotion. The applicant combined PANOS ABRUZZI and 帕诺兹 and applied for the same trademark on the aforementioned goods, which might confuse the public, though the goods are not in the same car industry.

- C. Article 10.1.8 continues to forbid the use and registration of trademarks detrimental to socialist moral and custom or having other ill effects. This article used to be the authorities’ weapon to maintain justice when other specific articles could not stop bad faith filing before the Law was revised in 2014. However, after the new Law came into effect, the authorities tend to limit the scope of this article’s application and only cite it when the character, device or other elements of the trademarks will pose damaging or negative impact on social and public interests or on national order.
- D. The revision of Article 15 is another highlight. Before the revision, Article 15 aimed to forbid the filing of trademarks by the legitimate owners’ agents or representatives without authorization. The new Article 15 has expanded the scope of what is forbidden to include unauthorized registrations due to the filers’ prior knowledge, prior relationship through contract, business and so on. This Article is particularly useful for the Courts, TRAB and CTMO to prevent not only the unauthorized agents, distributors, or representatives but also any party who had earlier knowledge of relevant trademarks through any means of communication. **An important tip when using this Article is to find and keep all evidence of relevant communications.**

- E. Article 44.1 is another important weapon in curbing bad faith filing. Under this Article, a registered trademark shall be declared invalid if its registration is obtained by deceptive or other improper means. Moreover, the “other improper means” here generally refer to the trademark registration behaviors that disturb the general process of trademark registration and go against public interest. If a trademark registration behavior only damages the specific entity’s civil right, this article shall not be applied. This article has been typically applied to the abovementioned landmark case.
- F. Yet another highlight of the new Law is Article 64, under which the alleged infringer shall not be liable for damage if the trademark registrant is unable to prove neither its actual use of the registered trademark during the three years prior to the lawsuit nor other losses suffered as a result of the infringement. Upon information and belief, most of the bad faith filers register trademarks in order to blackmail the legitimate owners, without any true intention to use the trademarks themselves. This article can prevent pirates from pursuing damages from legitimate owners, who are in many cases the victims of bad faith filing. In other words, the pirates need to actually use the trademarks to claim damage. The blackmailing cost will thus increase. Despite these amendments, these pirates still remain able to interfere with legitimate owners’ trademark use in China before the offender’s registered trademarks are removed.
- G. Since China abolished the national trademark bar system and completely opened the trademark representation market when it joined the WTO in 2001, more than 20,000 trademark firms have been founded. There have been instances where trademark agents have used their professional knowledge to directly pirate others’ trademarks in their own names. Due to such practices, legislators established Article 19 to forbid trademark agencies to apply for trademarks beyond their services. Violators shall be punished heavily.

In practice, the CTMO today has limited the trademark agencies to services in subclass 4506, namely IP related legal services. This change has been found effective in preventing piracy committed by trademark agents themselves’, but it has also become an obstacle for trademark agents who truly provide additional services (e.g., translation services, training services, etc.)

Although some discrepancies persist, the legislators’ efforts have already begun to pay off as the revision has made bad faith filing more risky and far less profitable..

3. Administrative proceedings

When enforcing the newly revised Law, effective in 2014, the CTMO has made more decisions in favor of the opponents. The success rate of oppositions has increased by over ten percent since the revision, as shown in the chart below.

	2012	2013	2014	2015
Number of provisionally approved applications	1015300	1424642	2285400	2338966
Number of oppositions	35969	34212	44918	59122
Number of opposition decisions	73137	43526	NIL	63720
Opposition rate	3.54%	2.40%	1.97%	2.53%
Opposition success rate	11.31%	17.28%	NIL	27.54%

The grounds for opposition and invalidation vary substantially, but it is almost a certainty that the majority of such cases aimed at bad faith filing. We have reason to believe that the increased rate of successful opposition and invalidation will prove very helpful in curbing trademark piracy in China.

Since December 2016, the TRAB randomly published part of its adjudications and will increase the number gradually. Its final goal is the instant publication of all its adjudications.

The progress highlighted in this article demonstrates well China's determination to curb bad faith filing. Legitimate trademark owners should take advantage of this development and feel more confident when protecting their trademarks in China.