

Tackling Bad Faith Trademark Applications or Registrations in China

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In order to reduce trademark squatting, the *Chinese Trademark Law of China (2019 Version)* (“*Trademark Law 2019*”) introduced an intent to use requirement as well as a good faith requirement. As will be discussed further below, recent Chinese court cases show that the introductions did in fact provide newly effective means to challenge squatters.

1. Overview of the relevant articles in the *Trademark Law 2019*

The relevant articles of the *Trademark Law 2019* include:

Article 4

A malicious application for trademark registration not filed for the purpose of using the trademark shall be refused.

Article 7.1

The **good faith principle** shall be upheld in the application for trademark registration and in the use of trademarks.

Article 44.1

A registered trademark shall be declared invalid by the Trademark Office if [...] **its registration is obtained by fraudulent or other improper means.** Other entities or individuals may request the Trademark Review and Adjudication Board to declare the aforesaid registered trademark invalid.

These are the key articles that shall be applied when the China National Intellectual Property Administration (CNIPA, formerly the Trademark Office and Trademark Review and Adjudication Board) and the courts (Beijing Intellectual Property Court and Beijing High People’s Court) establish a lack of good faith case. Typically, at the opposition stage, examiners tend to apply Articles 7, while

Article 44.1 is commonly invoked in invalidation actions; and we expect to see more application of Article 4 after the amendment of the *Trademark Law 2019* that explicitly added the requirement of “intent to use” for filing trademark applications. Different from the CNIPA, the courts tend to apply Article 44.1 not only to invalidate registered trademarks, but also against applications pending in opposition proceedings. In recent years, there has been an increasing reliance on Article 44.1 in cases where the applicant squatted quite a number of others’ famous marks.

2. The required factors when applying the good faith clause

First, the *Beijing High People’s Court Guidelines for the Trial of Trademark Right Granting and Verification Cases* specify what constitutes a lack of good faith application without intent to use provided in Article 4 and “other improper means” provided in Article 44.1 of the *Trademark Law 2019*. Specifically,

7.1 Application of Article 4 of the Trademark Law

If any trademark applicant obviously lacks the true intent to use and falls into any of the following circumstances, this applicant may be determined to violate the provisions of Article 4 of the *Trademark Law 2019*:

- (1) applying for registration of the trademark identical with or similar to that of various subject with certain popularity or higher distinctiveness, which is regarded as a serious circumstance;
- (2) applying for registration of the trademark identical with or similar to that of the same subject with certain popularity or higher distinctiveness, which is regarded as a serious circumstance;
- (3) applying for registration of the trademark identical with or similar to any other commercial signs other than trademarks of others, which is regarded as a serious circumstance;
- (4) applying for registration of the trademark identical with or similar to any name of place, scenic spot, building and others with certain popularity, which is regarded as a serious circumstance;
- (5) applying for registration of a large number of trademarks without good reasons. If the trademark applicant above claims that it has the true intention of use, but fails to present the relevant evidence, this claim shall not be supported.

17.3 Determination of specific circumstances of “other improper means” relating to the application of article 44 of the *Trademark Law 2019*

A trademark under any of the following circumstances may be determined to fall under the circumstances that “the registration is obtained by other improper means” provided in Article 44.1 of the *Trademark Law 2019*:

- (1) the trademark applicant in dispute applies for multiple trademark registrations which are identical with or similar to others’ trademarks with higher distinctiveness or popularity, including the application for trademark registrations of different owners on identical or similar goods or services and also the application for trademark registrations of the same owner on non-identical or dissimilar goods or services;

(2) the trademark applicant in dispute applies for multiple trademark registrations which are identical with or similar to any other corporate names, names of social organization, the names, packaging, decoration and commercial signs of goods with certain influence; or

(3) the trademark applicant in dispute sells the trademark, or file an infringement lawsuit against the users of the prior trademark after failing to transfer at a high price.

The guidelines explicitly provides that bad faith will be inferred where a squatter targets different trademarks belonging to a particular trademark owner. This will significantly improve the applicability of Article 44.1 and turn it into a powerful weapon against those “sophisticated” squatters who copy various trademarks owned by a particular trademark owner instead of different owners.

Second, the State Administration for Market Regulation also published *Several Provisions for Regulating Applications for Trademark Registration*, which set parameters for determining bad faith practices and bad faith applications for trademarks that are not intended for use, such as number of trademarks applied for, classes of trademarks applied, transaction records of trademarks, business operation of the applicant, effective rulings on infringement or bad faith registration, and among other things.

To sum up, if the owner or applicant of a target mark fits any or all of the below circumstances, brand owners many consider challenging the registrations:

- hoarding of massive amounts of trademarks in various unrelated classes;
- applying for many trademarks identical with or similar to multiple business signs with certain popularity or high distinctiveness;
- applying for a large number of trademarks within a short period of time and obviously beyond reason; or
- having been found of being a squatter in earlier trademark cases.

Note, however, among the said circumstances, there is not yet a definition for “a large number” or “severe circumstances.”

In practice, when performing a comprehensive assessment in establishing lack of good faith, some interdependence among the said relevant factors usually occur. For instance, a relatively small number of trademark filings may be offset by 1) a greater degree of earlier marks’ distinctiveness, 2) a greater degree of the trademark’s fame; 3) a close distance of two parties’ domicile, 4) a closer relatedness of the two parties’ lines of business, 5) a closer level of association of the business operations of the two parties’ with the designated goods/services, etc.

Further, the CNIPA published in March 2021 the *Notice on Special Initiative on Cracking Down on Malicious Trademark Squatting* (“Notice”), which states that the CNIPA is striving to combat the seven circumstances of malicious trademark squatting which aim at obtaining improper interests, disturbing the trademark administration order, and causing detrimental social impacts. One of the methods to reject bad faith applications is adopting a “fast rejection mechanism” when there are suggestive indications that the applications were filed without good faith during the trademark application process. Likewise, during oppositions and cancellations, if there are suggestive

indications of lack of good faith, these cases would be prioritized or joined for expedited examination to reject or invalidate those marks.

The Notice shows the CNIPA's firm standpoint to combat squatting, and from the recent opposition and invalidation decisions, we see a trend in compliance with such determination.

3. Example Cases

1. Opposition against "CISCO" filed by an individual

A Chinese individual filed an application for "CISCO" on August 27, 2018, designating on "Razors, electric or non-electric; Crimping irons; Beard clippers; Hair clippers for personal use, electric and non-electric; Depilation appliances, electric and non-electric; Pedicure sets" in class 8. The applicant filed seven applications in total, including one in class 7 and the others in class 8.

Cisco filed an opposition against the opposed mark before the CNIPA. The CNIPA found that Cisco's marks bore relatively high originality and the evidence can prove that, through Cisco's consistent use and promotion, its marks have obtained relatively high fame among consumers. The opposed mark was identical with Cisco's marks in terms of letter composition, so the CNIPA deemed that the applicant's filing for the opposed mark showed lack of good faith by copying and imitating Cisco's marks, which violated the good faith principle. According to Article 7 and Article 30 of the *Trademark Law 2019*, the CNIPA ruled to refuse the opposed mark for registration.

Although procedurally, the applicant has the right to file an appeal against the refusal decision, he did not appeal the decision and the opposed mark has been recorded as void.

2. Opposition and subsequent Appeal against "LAMAZE (stylized)"



A Chinese company filed an application for "Lamaze" on March 20, 2017, designating "Table cutlery [knives, forks and spoons]; Cutlery; Spoons; Spoons, table forks and table knives for babies; Hand operated hand tools; Knives [hand tools]; Sabres; Graving tools [hand tools]; Nail clippers; Flat irons" in class 8. The applicant has 14 applications in total, designating goods of baby suits, babies' pacifiers, toys, cutlery, household linen, etc. in different classes.

Lamaze filed an opposition against the mark. The CNIPA found that, the evidence submitted by Lamaze can prove that, prior to the application of the opposed mark, Lamaze had registered and used the marks of LAMAZE and "LAMAZE in Chinese" and had obtained a certain level of fame. Further, LAMAZE and "LAMAZE in Chinese" were fanciful words that bore certain originality. The opposed mark was identical with Lamaze's marks in terms of letter composition, which was hardly a coincidence and the applicant failed to make reasonable explanations as to its creation source. Thus, the applicant's filing for the opposed mark showed lack of good faith by copying other's famous prior marks and free-riding of the goodwill thereof, which not only was likely to cause consumer confusion, but also impaired the normal order of trademark registration and fair competition, and violated the

good faith principle.

Given the above, the CNIPA refused the registration of the opposed mark based on Article 7 and Article 30.

The applicant was not satisfied and filed a registration refusal appeal against the decision. In the appeal, the CNIPA affirmed the above filings and further ruled as follows:

The Applicant filed altogether 14 applications, aside from the opposed mark, the other marks of “Vulli Sophie,” “B toys,” and “OXO tot” are all identical with others’ brands with strong distinctiveness and high reputation. As the Applicant neither made reasonable explanations nor provided evidence of its actual use of the marks, the Applicant’s behavior showed obvious lack of good faith in copying others’ marks, violated the good faith principle, impaired the normal order of trademark registration administration, and was detrimental to the market order and fair competition.

Therefore, the CNIPA found the opposed mark constituted the circumstance of “obtaining registration by other unfair means” as stipulated in Article 44.1, and accordingly refused the opposed mark from registration.

The applicant did not further appeal the decision to the court, the opposed mark, as well as other series marks filed by the applicant have been recorded as void.

3. Analysis

In China, the division of class and subclass set in the *Similar Goods and Services Classification Guide* plays an important role in determining if the goods or services are similar. When the right owner’s mark obtains certain fame but has not yet been legally recognized as well-known, it is difficult to obtain cross-class or cross-subclass protection based on the provisions for similar marks used on similar goods and services in the *Trademark Law 2019*, even if the marks are identical or substantially similar. To combat such copycats, the good faith clause could be considered as a useful alternative.

Several circumstances can be deemed sufficient to show lack of good faith:

- hoarding a massive number of trademarks in various unrelated classes;
- applying for many trademarks identical with or similar to multiple business signs with certain popularity or high distinctiveness;
- applying for a large number of trademarks within a short period of time and obviously beyond reasonable need; and
- having been identified as a squatter in earlier trademark cases.

A mark’s life depends on its use. In order to apply the good faith clause, the easiest way is to prove that the other party does not have the intent to use the target mark and is hoarding trademarks for future profits through sales. For example, a large number of marks filed that designated a broad range of goods and services obviously exceed the reasonable need for regular business. These

marks filed without genuine intention to use are therefore presumably for sale and not use.

Accordingly, it would not be difficult to convince the CNIPA to find that the applicant of an opposed mark lacks good faith if it applied for hundreds or thousands of trademarks, or if its applications are all copies of numerous famous brands and designated in all 45 classes, or it is selling the marks via public platforms or private channels.

In the above two example cases, however, the applicants filed limited number of marks and designated goods for their core business, so the “hoarding” argument won’t be persuasive as these marks appear, on its face, to have “genuine intention to use.” Not to mention that in reviewing and adjudicating administrative trademark cases, the CNIPA is rather prudent and strict in applying good faith articles, especially at the opposition stage.

Accordingly, the following tactics can be useful:

1. Demonstrate with solid evidence the cited mark’s strong distinctiveness and high fame;
2. Illustrate the copied brands with great details;
3. Find and demonstrate “unique traits” of the opposed mark’s applicant.

Demonstrating the cited mark’s distinctiveness would minimize the likelihood of coincidence in creating an identical mark. At the same time, the cited mark’s high fame implies the possibility that the opposed mark’s applicant has access to the opposer’s marks and the potential benefits from securing such a copied or imitated mark.

In the CISCO case, among the seven marks filed by the applicant, six are imitations of Cisco, Philips or Siemens, whose distinctiveness and fame are well acknowledged. In the LAMAZE case, all the 14 marks filed by the applicant are copies of brands in the baby products industry, for which the opposer prepared a straightforward chart and supporting evidence.

Last but not the least, “unique traits” of the opposed mark’s applicant could turn out to be the more crucial factor that successfully offset the lack of “hoarding” in these two cases.

In the CISCO case, the applicant was *an individual* as opposed to a corporation. In China, any natural person who applies for trademarks should be a responsible person running an individual business or a leaseholding rural household, or someone with the permission to engage in business operation. Compared with legal persons, a natural person is required to file trademarks with designated goods or services limited to the business scope set in their business certificates or to their own agricultural products. Hence, it can be legitimately presumed that an individual, different from corporations who may have multiple brands and carry out various business operations, should have less needs for filing multiple trademarks in various goods and services. Accordingly, though the absolute quantity of seven marks is not large, the fact that the applicant was an individual and the ratio of 6 copies and imitations out of the total 7 marks applied should overcome the lack of “hoarding” trademarks.

In the LAMAZE case, the special trait of the applicant is being a “peer” – the applicant is engaged in the baby products industry, the marks it copied are brand owners in baby products industry, the applied-for goods under the copied marks are related to baby products. A player in the same industry

not only indicates a high possibility of awareness of the copied brands, but also increases the likelihood of consumer confusion if the copied marks are to be registered and used on the identical goods.

Accordingly, the fact that the applicant operates in the same line of business and the odd proportion of copied trademarks to overall applications serve to offset the lack of evidence of hoarding.

In sum, there is interdependence among the relevant factors for lack of good faith, and a relatively small number of trademark filings may be offset by 1) a greater degree of earlier marks' distinctiveness, 2) a greater degree of the marks' fame, 3) a closer level of association of the business operations of the two parties' with the designated goods/services, etc. Similarly, a lesser degree of similarity between the marks may be offset by 1) a closer distance of two parties' domicile, 2) a closer relatedness of the two parties' lines of business, 3) a larger amount of the applicant's trademark filings, etc.

An in-depth investigation of the opposed party and a comprehensive assessment of all factors are highly recommended if one expects a good outcome.

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