

Protecting your trademarks in China



CHINA

A means of combating bad-faith trademark applications - Article 4 of the PRC Trademark Law

Article 4 ("Article 4") of the *PRC Trademark Law* (the "Law"), provides that "bad-faith trademark registration applications with no intent to use" must be refused by the Chinese Trademark Office.

This language was added during the most recent amendment to the Law of 1 November 2019. Its primary purpose is to put an end to the practices of certain unscrupulous applicants who apply for large numbers of the trademarks with the aim of selling them back to their true proprietors for prices, which, in some cases, can be extremely high.

Article 4 can be used directly by Trademark Office examiners in order to reject a registration application. It can, however, also be used as a legal basis by a third party after the disputed trademark has been published for opposition purposes or registered, in proceedings to oppose, cancel or revoke the trademark, if said third party believes that the published or registered trademark breaches the provisions of Article 4, and therefore that its holder acted in bad faith with no intention of using the disputed trademark.

The new version of the *Guidelines for Trademark Examination* published by the National Intellectual Property Administration, which entered into force on 1 January 2022, provides precise examples of the nine main cases in which the application of Article 4 is possible.

1 – Case of an applicant who files large numbers of trademark registration applications, which clearly exceed the needs of their normal business activities, for which there is no proof of intent to use.

Case study: a consulting firm registered several hundred trademarks in over thirty different classes, including more than 100 trademarks in December 2019. After review, the Trademark Office noticed that the applicant is a small private firm with capital of CNY 1 million that may not have been paid up, and that its corporate purpose includes solar water heater product consulting and tourism consulting.

The applications in fact covered products or activities that go well beyond the scope of its corporate purpose, such as class 30 "food" or class 36 "financial services". The Trademark Office determined that the filings clearly exceeded the needs of the applicant's business activity, and therefore refused all the applications on the basis of Article 4's provisions.

2 – Case of an applicant who registers large numbers of trademarks that reproduce, copy or imitate various earlier trademarks which have a certain amount of popularity or notoriety and that belong to various entities.

Case study: a company filed applications for trademarks in a dozen classes (class 3 – perfumes, class 14 – jewelry, class 18 – leather goods, class 25 – clothing, etc.). These trademarks included "BENTLEY DESIGN", "博纳多兰博基尼" (literally "Beneteau Lamborghini") and "FARRARIMAY", which are all variations of famous automotive trademarks. The Trademark Office refused the applications on the basis of Article 4, on the grounds that they are copies and imitations of famous trademarks, and that even though they were not filed in class 12 (vehicles), the applicant was clearly acting in bad faith with the intention of free-riding on the reputation of the actual proprietors.

3 – Case of an applicant who files several registration applications for trademarks that are similar to those that belong to another entity and that have a certain amount of popularity or notoriety.

Case study: Mr Zhang applied to register the “Mashiyou Kuteng” trademark in Chinese characters, then, during the examination phase, he transferred the registration application to Mr Lin.

After examination, the Trademark Office noticed that Mr Lin was respectively the proprietor of the “Mashiyou” and “Kuteng” trademarks, which are relatively distinctive. Now, the trademark in Mr Zhang’s application is merely a combination of Mr Lin’s two trademarks and concerns similar products. In addition, Mr Zhang registered over thirty similar trademarks, all of which are versions or variants of trademarks held by Mr Lin. One of the trademarks registered by Mr Zhang was annulled following an action to have the trademark revoked, as Mr Zhang was not able to provide proof of use, nor was he able to prove that he genuinely intended to use the trademark. Ultimately, the Trademark Office determined that Mr Zhang’s multiple applications were made maliciously, with no intent to use and with the aim of copying and imitating Mr Lin’s trademarks, and therefore refused Mr Zhang’s registration applications.

4 – Case of an applicant who makes multiple registration applications for trademarks that are similar or identical to the corporate name, the abbreviated corporate name, the domain name or the trade name of a third party, or also the name of a relatively popular product, or a distinctive advertising slogan or an external design used by a third party that is relatively well-known.

Case study: A Swedish company filed opposition actions against several trademarks applied by Mr Xu that contained an identical copy of its corporate name. When examining the opposition applications, it appeared that Mr Xu had registered more than 150 trademarks in over twenty different classes, and that dozens of said trademarks were in fact identical or similar to the corporate names of various companies. Mr Xu was unable to prove that he was using these trademarks or even that he intended to use them and was unable to provide an explanation as to the origin of these trademarks. In view of the numerous registration applications made by Mr Xu, his lack of intent to use and the fact that the corporate name of the Swedish company is relatively well-known, the Trademark Office decided to rule in favour of the opposition raised by the Swedish company on the basis of Article 4: the registration of Mr Xu’s trademarks was refused.

5 – Case of an applicant who makes several registration applications for trademarks that are similar or identical to the names of celebrities, works of art or famous people, or to other public cultural resources.

Case study: A Chinese company made around thirty applications for trademark registrations, in particular in class 5 (pharmaceutical products) and in class 30 (food products). However, after examination, the Trademark Office noticed that these trademarks were an identical copy, but in Chinese characters, of the surnames and first names of the 2019 Nobel Prize winners, such as Michael Kremer (Nobel Prize in Economics), James Peebles and Michel Mayor (Nobel Prize in Physics) and Gregg L. Semenza (Nobel Prize in Physiology or Medicine). The Trademark Office determined that these were bad-faith registrations made in order to free-ride on the reputation of third parties, and therefore refused the registration on the basis of Article 4.

6 - Case of an applicant who makes numerous applications for registration of trademarks that are similar or identical to the names of administrative regions, mountains or rivers, tourist attractions or buildings.

Case study: a consulting firm with capital of CNY 100,000, the corporate purpose of which is confined to trademark consulting and strategy services, registered more than 500 trademarks in the space of two years, in numerous classes (9, 16, 21, 25, 33, 34 and 36, among others). As it turns out, the trademarks registered, which are almost all in Chinese characters, can be classified into eight main categories:

1. geographical locations such as “Guangdong Hong Kong Macao Greater Bay Area”, “Kowloon Peninsula” and “Hangzhou Bay”.
2. famous Chinese tourist attractions, such as the “Huangguoshu Waterfall” and the “Three Gorges”.
3. famous road names such as “Wangfujing”, “Nanjing Road” and “Lu Jia Cui”.
4. parts of the mottos of famous Chinese universities, such as the Nankai and Nanjing Universities.
5. famous structures, such as the “Hong Kong-Zhuhai-Macao Bridge”.
6. the names of Chinese celebrities;
7. names that include terms used in the Chinese lunar calendar, such as “Spring Equinox” and “hot season”.
8. signs of the zodiac, such as Libra and Aquarius.

The Trademark Office refused the registration applications for the majority of these trademarks on the basis of Article 4, and stated that these applications vastly exceeded the normal requirements of the applicant with respect to its business activities, and had been made in bad faith.

7 – Case of the applicant who makes multiple registration applications for trademarks comprised of terms with no distinctive characters, such as generic terms that indicate products or services, or that indicate the quality, functions, uses, weights or quantities of these products, or their primary raw materials.

Case study: a Chinese company, the corporate purpose of which is technical consulting in the field of software development, technical developments, technology transfer and the import/export of goods, made more than 500 trademark registration applications in the space of six months and, in particular, in classes that are unrelated to its corporate purpose (such as class 3 - perfumes and cleaning products, class 5 - pharmaceutical products, class 12 - vehicles, class 18 - leather goods and class 25 - clothing). The vast majority of the trademarks were registered in the following form:

- for trademarks in Chinese characters: one character that is the abbreviation of a Chinese province + a character that means “chain” or + a character that means “exquisite”;
- for trademarks that use Latin letters: a generic term + the word “token” or the word “chain”, for example: “GSM TOKEN”, “TOMORROW CHAIN”, “CPU TOKEN” and “VALUE TOKEN”.

As the applicant was unable to provide an acceptable justification of its intent to use these trademarks, the Trademark Office refused all the applications on the basis of Article 4.

8 – Case of the applicant who makes numerous trademark registration applications, then subsequently assigns most of the trademarks to numerous different assignees.

Case study: a company registered more than 700 trademarks in 30 different classes, then transferred more than 198 trademarks to various assignees. The significant number of registrations, as well as the large number of assignees, shows that the trademarks were not registered with intent to sue, but rather with the aim of selling on the trademarks and generating unfair profits. This case therefore does indeed fall within the scope of Article 4.

9 - Case of the applicant who registers numerous trademarks then sells them at a high price to the holders of the earlier rights, or demands that they pay significant royalties for the use of the trademark, or major damages for infringement, or who coerces the holder of the earlier rights into a business relationship.

Case study: a Chinese company registered more than 600 trademarks in 36 classes, including more than 130 trademarks that were offered for sale at a high price on the internet, some of which have already been assigned to third parties. A holder of earlier rights raised an opposition against a new trademark registered by this Chinese company, and, in particular, provided the Chinese Trademark Office with documents which prove that the Chinese company had contacted it in the past with an offer to sell the trademark at an extremely high price. The Chinese Trademark Office accepted the opposition raised and refused the registration of the Chinese company's trademark, on the basis of the provisions of Article 4.

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Accordingly, Article 4 may be applied by the Trademark Office in numerous situations, if the holder of the disputed trademark has made numerous filings and is not in a position to provide that they intend to use the trademarks in practice. According to Chinese statistics, since 1 January 2021, the Trademark Office has refused to register 481,500 trademarks on the basis of Article 4¹.

Thus, before raising an opposition against a published trademark, or seeking to annul or obtain the revocation of a trademark that has already been registered, we recommend checking comprehensively all the trademarks registered by the holder of the trademark concerned, and in the event that they have made numerous filings that cannot easily be explained, to ensure that the application of the provisions of Article 4 is requested.

In accordance with the principles set forth in Article 8 of the *provisions on the standardisation of trademark registration applications*, which entered into force on 1 December 2019, in order to determine if a registration application was made in breach of the provisions of Article 4, i.e., if it is an act of bad faith, the aim of which is not the use of the trademark, the examiners of the Chinese Trademark Office generally take into account all of the following criteria:

1. The number of applications for trademark registration by the applicant or by persons associated with the applicant, as well as the classes of products/services concerned, and any previous trademark assignments by the applicant;
2. The business sectors in which the applicant operates and the relationship with the services/products for which protection is requested, as well as the applicant's financial situation;
3. The fact that in the past the applicant already assigned numerous trademarks and is unable to prove that they did indeed use these trademarks before they were assigned, or, if not, that there is a logical explanation for the fact that they were not used;
4. The fact that the applicant publicly posted offers to sell filed or registered trademarks, or coerced third parties to form business relationships with the applicant, or requested exorbitant assignment prices or royalties for use, or major damages in lawsuits involving trademark infringement;
5. The fact that the applicant is unable to provide proof of use of the filed/registered trademarks, or proof of their intent to use them.
6. The extent of the similarity of the trademarks for which the registration application was made with earlier well-known trademarks that have a certain amount of popularity with third parties, or with trademarks that belong to a third party who has a specific connection with the applicant;

1. Between 16 December 2020 and 15 December 2021, the Trademark Office processed 9,192,675 trademark registration applications, but only accepted the registration of 7,545,358 trademarks, which is a refusal percentage (for all reasons combined) of 18%.

7. The extent of the similarity of the trademarks for which the registration application was made with the first names and surnames of a well-known person, the corporate name of a business or any other distinctive commercial sign that indicates a business; etc.
8. The fact that the applicant, in the past, was found guilty of bad-faith trademark registration applications or infringement by an administrative decision or a definitive judgment;
9. The fact that the applicant appears on a list of companies that have been found guilty of serious breaches or abuses of trust in the National Enterprise Credit Information Publicity System, due to bad-faith trademark registration applications or trademark infringement, etc.

Therefore, when you face difficulties in registering or protecting your trademark in China, you should first check whether these difficulties are caused by a third party who has registered multiple trademarks. If so, the provisions of Article 4 on “bad-faith trademark registration applications with no intent to use” may potentially be applicable. It is then recommended that you prove, to the greatest extent possible in the opposition, annulment or revocation petition, that the holder of the rights does indeed meet the criteria listed above.



For any additional information
please contact:

Sylvie SAVOIE
Associée responsable - Beijing Office
Saveoie@dsavocats.com