



NEWSLETTER

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Lifang & Partners celebrated moving into its new Beijing office

On 19 August 2019, Lifang & Partners held a ceremony to celebrate moving into its new office at Shun Tak Tower in Beijing. At the ceremony, Senior Partners Mr. Xie Guanbin, Mr. Liu Xudong, Mr. Hu Yiguang, and Ms. Zhang Bin, along with Ms. Jiao Shan, a representative for the younger partners, and Ms. Dong Fang, a representative for the associates, all announced our moving into a new office in Beijing.

Then, Mr. Xie Guanbin reviewed the development and accomplishments of the firm over the past decade and encouraged the lawyers and employees to take the new office as a new start as well as an opportunity to further develop, to diligently perform our duties, and to achieve excellent results.

The new office is also the beginning of a new era and a vital element of Lifang & Partners' development plan. From our new office, we will be better able to provide a comfortable working environment, advanced office equipment and complete business support facilities, which will improve our efficiency, enhance client experi-

ences, and empower us to deliver improved legal services. Moreover, we would like to invite all potential talents and partners to join us at our new office.

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Seminar on IP Dispute Resolution Strategies Successfully Held

23 October 2019, the “Seminar on IP Dispute Resolution Strategies”, organised by the Shenzhen Administration for Market Regulation and sponsored by Lifang & Partners, was successfully held at the St. Helen Bauhinia Hotel, Shenzhen. More than 100 IP experts, legal professionals and attorneys attended this Seminar. The meeting was chaired by Mr XIE Guanbin, Senior Partner of Lifang & Partners.



Mr MA Xianmin, who serves in multiple roles as the Deputy Party Secretary of the Guangdong Administration for Market Regulation and as the Party Secretary & Director of the Guangdong IP Protection Center, and Mr KUANG Bing, the Party Secretary and Director of the Shenzhen Administration for Market Regulation, delivered opening speeches.

During the meeting, Mr HU Yi, the Chief IP Officer of ZTE Corporation, Mr YU Chunhui, the Chief Judge of the IP Tribunal of Shenzhen Intermediate People’s Court, Ms Cynthia HAO, a Partner based in our Shenzhen office, and Mr Lu Gang, a Senior Partner based in our Beijing office, made keynote speeches on IP related legal risks and disputes from various perspectives.

Following the keynote speeches, Mr Roy LIU, a Senior Partner based in our Guangzhou office, presided over a round-table discussion themed “Effective Measures against IP Risks”, during which attendees interacted with each other and had in-depth discussions.

Students of Beihang University visited Lifang & Partners



At around 2:30 in the afternoon, on the 1st November 2019, around 50 or so students and teachers from Beihang University Law School visited the Beijing office of Lifang & Partners for a special seminar in English on Drafting Contracts. Beihang University Law School was ranked 15th out of 600 Chinese law schools in 2018.

Mr. Liu Qingtao, Partner, warmly welcomed our guests from Beihang University and introduced them to the history and values of Lifang & Partners, especially professionalism, conscientiousness, and efficiency. After, Mr Liu held a Q&A session about professional practice.

Next, Mr. Chris Fung, Foreign Legal Counsel, delivered a seminar about Drafting Contracts. With his rich experiences in legal practice, Chris shared some of his knowledge and opinions on drafting contracts with the students. He also talked about university life in the UK, and encouraged the students to build their own styles libraries early on, read as much as they can in general, and, most importantly, *“play hard, work hard”*.

Also speaking at the event was Ms. Li Junxia, Senior Associate, who is an alumna of Beihang University Law School. She reminisced with students about her time at Beihang and discussed her own career path with them. Ms. Li was inundated with questions from the students, including one about how to develop their careers and the importance of studying abroad. We have no doubt that Ms. Li is a very positive role model for the students, who showed obvious affection for her.

Lifang & Partners is devoted to developing the next generation of lawyers by sharing legal knowledge, supporting legal research, promoting professional ethics, and encouraging young legal practitioners to study hard, serve society and practice diligently.

Many of the partners at Lifang & Partners serve as mentors or visiting professors in law schools across China. Moreover, Lifang & Partners have sponsored many legal research projects, forums and conferences to contribute to the education and training of future lawyers.

Malicious Trademark Registration and Chinese Law

Written By WANG Xiao



The “malicious trademark registration” in this article refers to the acts of pre-emptive registration of another party’s well-known trademark, registration of a business mark that is already in use by another party and has a certain degree of influence, and registration of other prior rights or public information and resources.

Provisions to regulate such acts can be found in Articles 7, 13, 15, 32, and 44.1 of the *Trademark Law of the People's Republic of China* (the “**Trademark Law**”). Wherein, Article 7 provides that “*The principle of good faith shall be upheld in applications for trademark registration and in the use of trademarks.*” Article 7 is generally considered a guiding principle, and administrative and judicial departments rarely applied it directly. Articles 13, 15, 32, and 44.1 regulate different types of malicious trademark registrations and can thus be directly applied. In 2019, the *Trademark Law* was amended, and the words “*Any malicious application for trademark registration that is not filed for the purpose of use shall be rejected.*” were added to Article 4, which is buttressed by a new provision within Article 44.1 for the invalidation of trademarks that violate Article 4.

Below is an analysis of the specific content, usage and deficiencies of these provisions.

I. Article 13 regarding pre-emptive registration of a well-known trademark

Based on our understanding of Article 6bis of the *Paris Convention for the Protection of Industrial Property* (the “**Paris Convention**”), if a mark is recognized as well-known in one member state, other member states should refuse or invalidate the registration, or prohibit the use of a similar and confusing mark on identical or similar goods.

Likewise, under Article 13 of the *Trademark Law*, if a trademark registered in China is recognized as well-known in China, the holder of the trademark shall be entitled to prohibit others from registering or using trademarks that are identical or similar to said well-known trademark on different or dissimilar goods which might mislead the public. In other words, well-known trademark holders gain cross-class protection.

Moreover, where a trademark is recognized as a non-registered well-known trademark as a result of prior use in China, the non-registered trademark holder shall be entitled to prohibit others to register or use trademarks that are identical or similar to said non-registered well-known trademark on identical or similar goods which might mislead the public.

Through comparison, it can be observed that the meaning of “well-known” in Article 13 of the *Trademark Law* is quite different from that used in the *Paris Convention*. The meaning of well-known trademark used in Article 13 of the *Trademark Law* refers to famous trademarks that are continuously and widely used in China, but not those that are well-known in other countries. In judicial practice, in determining whether a trademark is well known, the courts in China tend to confine their examination to China, and rarely consider trademark usage or reputation

in other countries.

In future amendments to the *Trademark Law*, well-known trademarks under the *Paris Convention* may be protected under Chinese law in a manner similar to that of Article 8.2 of the *Regulation (EU) 2017/1001 of the European Parliament and of the Council on the European Union trademark*. Further, the wording “a well-known trademark” in Article 13 should be substituted by the wording “*the trademark has a reputation*” in Article 8.5 of the aforesaid *Regulation (EU)*. Such a concept can be introduced in the *Trademark Law* in order to distinguish from the wording “well-known” in the *Paris Convention*. This is aimed at protecting trademarks with reputation on different or dissimilar goods and protecting trademarks recognized as well-known in foreign countries.

In the application of Article 13, “malicious” is not an independent element that needs to be proven. If a trademark enjoys high reputation and is highly likely to be recognized as a well-known trademark, it can be presumed that the trademark applicant, who is clearly aware or should be aware of the existence of another party’s well-known trademark, has committed reproduction, imitation, or translation of the well-known trademark.

II. Article 15 regarding malicious pre-emptive registration of a well-known trademark by an agent or representative

An agent or representative, during cooperation with a trademark holder, has an opportunity to take advantage of the trademark holder’s knowledge and experience, and to profit from the trademark holder’s investment and effort. An agent or representative who seeks to register in

its own name a trademark holder's trademark without authorization from the trademark holder violates the principle of good faith in business cooperation and harms the business interests of this trademark holder.

To prevent such bad faith acts, Article 6septies of the *Paris Convention* provides that *"If the agent or representative of the person who is the proprietor of a mark in one of the countries of the Union applies, without such proprietor's authorization, for the registration of the mark in his own name, in one or more countries of the Union, the proprietor shall be entitled to oppose the registration applied for or demand its cancellation or, if the law of the country so allows, the assignment in his favor of the said registration, unless such agent or representative justifies his action."*

Similarly, Article 15.1 of the *Patent Law* also provides that an agent or representative shall not register or use in their own name a client's trademark without authorization from the client. Article 15.2 provides that if an applicant is clearly aware of the existence of the trademark of another party due to contractual, business or other relationships with such other party except those prescribed in the preceding paragraph, the trademark shall not be registered.

Based on these provisions, the trademark holder can raise objections to a trademark application during the preliminary review announcement or file a request to invalidate such a trademark within 5 years after registration. Currently, a trademark holder cannot ask for the transfer of such a trademark.

One thing that may cause confusion in these provisions is the use of *"the trademark shall not be registered and its use shall be prohibited"* for malicious registration by an agent or representative in Article 15.1 and *"an application shall not be approved"* for malicious registration by other parties that are not an agents or representatives in Article 15.2. We are unsure of why prohibition of use is not provided in Article 15.2. We consider that it is a legislative loophole.

As discussed, "malicious" is not an independent element that needs to be proven. As long as agency, representative or other relationships can be proven, there will be a presumption that the patent applicant, who was clearly aware or should have been aware of the existence of the other party's well-known trademark, has committed trademark squatting.

III. Article 32 (the second half of the article) regarding pre-emptive registration by illegitimate means of a trademark that is already in use by another person and has certain influence

Article 32 of the Trademark Law provides that *"Trademark registration applications shall not harm existing prior rights of others, use of improper means to forestall registration of a trademark which is in use and has certain influence shall not be allowed."* This article is an exception to the registration principle, and the *Standards for Trademark Review and Adjudication* ("Standards") provides prerequisites for the application of Article 32:

- "1. the trademark of another person is already in use in China prior to the filing date of the trademark application and is known to a certain portion of the relevant public;*
- 2. the trademark is the same or similar to that of another person;*
- 3. the goods or services specified by the trademark are the same or similar to those used by another person; and*
- 4. the trademark applicant uses illegitimate means. In determining "illegitimate means", the court may consider whether there is a trade or cooperative relationships, or if personnel exchanges have occurred; and whether there are such acts as establishing trade cooperation under coercion, or claiming exorbitant assignment fees, licensing fees or infringement damages."*

Pursuant to Article 23 of the *Provisions on Several Issues Concerning the Trial of Administrative Cases Involving the Granting and Confirmation of Trademark Rights* ("Provisions"), "pre-emptive registration by illegitimate means" can be presumed if the trademark in prior use has obtained a certain degree of influence and if the trademark applicant clearly knew or should have known of the trademark, unless the trademark applicant provides evidence to prove that it did not act in bad faith to take advantage of the goodwill of the prior trademark. According to Article 23, a rights holder is only required to assume the burden of proving that his or her trademark is already in use and has obtained a certain degree of influence, rather than assuming the burden of proving "illegitimate means". The applicant of the disputed trademark on the other hand is required to prove the registration is proper.

We believe that the above provision regarding "illegitimate means" should be deleted. According to the

interpretation of the Standards, factors used to determine “illegitimate means” in Article 32 overlap with those used to determine the existence of trademark agent, trademark representative or other relationships in Article 15 and “other illegitimate means” in Article 44.1. If the existence of the trade or cooperation relationships, or personnel exchanges can be proven, then Article 15 can be relied on to dismiss the application for or invalidate the disputed trademark. Likewise, if the existence of trade cooperation under coercion, claims for exorbitant assignment or licensing fees, or claims for infringement damages can be proven, then the trademark in question should be subject to the “malicious act of pre-emptive registration” regulated by Article 44.1.

IV. Article 32 (the first half of the article) regarding pre-emptive registration of other existing prior rights

Pursuant to the Standards, the “prior rights” in Article 32 mean rights other than trademark rights acquired before the date of registration of the disputed trademark application, including business names, copyright, design patents, the right of publicity, and other legally protected prior rights, such as the prior used name, packaging, and decoration of the goods that have certain influence according to the *Anti-unfair Competition Law* 2018, or the specific name, packaging, and decoration of the famous goods or services according to the old version of the *Anti-unfair Competition Law*.

A difference between the first and the second half of Article 32 is that the former does not define “illegitimate means”, namely it does not contain the condition that “the disputed trademark applicant uses illegitimate means”. Therefore, when invoking this article of the law, one does not need to especially prove the existence of “malice”.

Combined, the prior rights in the first half of Article 32, which include “*business names, ...and the prior used name, packaging, and decoration of the goods that have certain influence*”, and the “*trademark... having a certain degree of influence*” in the second half of Article 32, all function as indicators of the source of particular goods or services. When determining whether there is a conflict of rights and interests between the disputed trademark and the prior names, the prior used name, packaging, and decoration of the goods that have certain influence, or a trademark that has a certain degree of influence, a court would in essence consider whether confusion amongst

consumers is possible. From this perspective, it is further believed that the second half of Article 32 regarding “illegitimate means” should be deleted.

V. Article 44.1 regarding pre-emptive registration by “fraudulent or other illegitimate means”

According to Article 44.1 of the *Trademark Law*, “*A registered trademark shall be declared invalid by the trademark office if it is in violation of Article 10, Article 11 or Article 12 of this Law, or its registration is obtained by fraudulent or other illegitimate means. Other entities or individuals may request the trademark review and adjudication board to declare the aforesaid registered trademark invalid.*”

Article 44.1 clearly stipulates the grounds for filing an invalidation action against a registered trademark, but it does not mention that those grounds can also be based on to file an opposition, which did cause practical disputes. In the current judicial practice, a unified consensus has been reached that the principle of good faith should be followed throughout the trademark application and registration process. Where any bad faith is discovered during review and approval procedures, it would be absurd to remedy by invalidating the trademark after registration. Therefore, Article 44.1 currently applies not only to the invalidation proceedings after registration, but also to the opposition period before the grant of the trademark registration.

According to Article 24 of the *Provisions*, “*In cases where methods other than deceptive means are used to disrupt the order of trademark registration, to damage public interests, to make improper use of public resources or to seek unfair advantages, a People's Court can rule that such other methods fall within ‘other illegitimate means’ as set out under Article 44.1 of the Trademark Law.*” According to the said Article 24, and Articles 10, 11 and 12 of the *Trademark Law* which all provide absolute grounds for refusal, “other illegitimate means” can be included within the absolute grounds for refusal for those acts that damage public interests. However, Article 24 does not limit “other illegitimate means” to methods that “disrupt the order of trademark registration, damage public interests, make improper use of public resources or seek unfair advantages”, and it does not rule out relative grounds remedy for damaging private rights. However, according to the *Standards*, Article 44.1 of the *Trademark Law* does not apply to “cases where only private rights are damaged”, that is, it does not include relative

grounds remedy.

Currently, Article 44.1 mainly regulates activities of registering and hoarding large amount of trademarks. For now, there is no clear standard for determining “large amount”. In judicial practice, the number of trademarks contained in applications that are determined as hoarding trademarks can vary from tens, dozens to even thousands. The court usually evaluates the legitimacy of the disputed trademark registration based on the specific circumstances, including whether the disputed trademark is identical or highly similar to the prior trademark or sign of others, the distinctiveness and popularity of the prior trademark or sign, whether the trademark applicant truly intends to use the trademark, and whether the trademark applicant intends to obtain illegitimate benefits from assigning the trademark at an exorbitant price, asking for royalties or seeking infringement damages. According to the *Standards*, after a trademark is granted, if the trademark applicant neither practically uses nor prepares to use the trademark, but actively sells the trademark to others, coerces others into trade cooperation, seeks exorbitant assignment fees, royalties or infringement damages from others, or etc., only for the purpose of obtaining illegitimate benefits, the trademark applicant will be deemed to lack a real intention to use those trademarks.

We are of the opinion that “illegitimate means” literally refer to implementing an act in an illegitimate method. However, the “illegitimate means” as stipulated in the said Article 44.1 is misinterpreted in its application. The administrative and judicial authorities evaluate the legitimacy of the trademark registration itself, rather than the “legitimacy of method”. Therefore, we suggest replacing “illegitimate means” with “bad faith” when amending the *Trademark Law* so that the said Article 44.1 can be applied to a broader sense.

VI. Regarding “any malicious application for trademark registration that is not filed for the purpose of use” in Article 4

Article 4 of the *Trademark Law* amended in 2019 incorporates a new provision that “*Any malicious application for trademark registration that is not filed for the purpose of use shall be rejected*”. The purpose of this newly added provision is to prevent the registration and hoarding of large number of trademarks for the purpose of benefits, which are currently regulated by Article 44.1 as mentioned earlier. Moreover, the word “malicious” has been

added as an adjective in Chinese to further define applications that are not filed for the purpose of use in the amendment to Article 4 to exclude defensive trademarks that are reasonable. However, the amendment to Article 4 fails to regulate other types of malicious trademark registration, or trademark registrations that are intentionally similar to famous brands for the purpose of use. In order to effectively regulate various types of malicious trademark registrations and to widen the scope of the law to regulate other types of illegitimate behavior, the author suggests revising the amendment to Article 4 to “*Any malicious application for trademark registration shall be rejected.*”

In summary, the *Trademark Law* can regulate various types of malicious trademark registration. Article 44.1 currently acts as a miscellaneous provision in regulating malicious trademark squatting, and it mainly regulates malicious registration that does not damage private interests. It is an absolute ground for invalidation, and it regulates trademark registrations that are objectively malicious. Article 44.1 requires evidence for the existence of objectively malicious behavior. Articles 13, 15, and 32 of the *Trademark Law* regulate malicious registrations that damage the prior rights of a particular right holder. They are relative grounds for invalidation, and they regulate trademark registrations that contain subjective malice, that is, subjectively being a free rider and clinging on to the popularity of others. If earlier trademark or other rights and interests are considered as well-known or have a certain degree of influence, then the trademark applicant could be presumed as having a subjectively illegitimate purpose, evidence for the existence of maliciously objective behavior will not be required. The latest amendment to Article 4, namely that “*Any malicious application for trademark registration that is not filed for the purpose of use shall be rejected.*”, mainly aims to prevent the registration and hoarding of trademarks for the purpose of benefits.

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