



Heading in the right direction

European companies in China face bad faith trademark registrations, but the situation is improving, says Clémence Le Cointe of Dennemeyer & Associates

Conceptually, bad faith is universally understood as 'dishonest intention'. In trademark law, this concept is becoming more and more important, especially in a global environment where competition is very high. So-called bad faith trademark registrations are prior trademark registrations filed by companies that correspond to a trademark of a foreign company (not yet registered in the concerned country). Most of the time, these registrations are done with the express intention of selling it back to the foreign company at an inflated price. This is also called 'trademark squatting'.

The evolution of the fight against bad faith trademark registrations in China

The issue of bad faith filings in China has become increasingly significant. The protection offered to well-known companies has traditionally been insufficient. However, it is now commonly recognised that improvements have been made.

The concept of 'bad faith' is not defined in Chinese laws and regulations. According to a senior official of the Chinese Trademark Review and Adjudication Board (TRAB): "Bad faith is a mental state of a person in that he knew or should have known that the trademark in question originated from a third party."

In 2010, the US Patent and Trademark Office (USPTO) joined the Japan Patent Office, the Office for Harmonization in the Internal Market (OHIM) and China's State Intellectual Property Office (SIPO) to launch a series of technical seminars in Beijing on that issue, intended to identify useful features of national trademark systems that can be implemented as best practices in other countries.

The Beijing Number 1 Intermediate People's Court published the results of its study on bad faith filing in December 2012. The study counselled courts to deter squatting activities when they interpret and apply the law, as well as to admit evidence with the goal of prohibiting this activity.

SIPO, in its Trademark Adjudication Guidelines, mentions that factors, such as previous business contacts, cooperation between the applicant and the prior user, the area in which both are active, whether goods/services have the same distribution channel and territorial scope, or previous disputes, need to be taken into consideration when deciding whether an application was filed in bad faith in the context of Article 13 of the Trademark Law concerning the protection of well-known trademarks.

In conjunction with its report mentioned above, the court issued decisions in six cases against

trademark squatters. These decisions are clearly meant to show the importance of honest trading and to raise awareness.

On 28 December 2013, China's National People's Congress published a draft of the country's proposed new trademark law for review and comment. One of China's goals in revising its trademark law is to address the issue of bad faith trademark filing. In this project, the emphasis was put on several actions that could have the effect of reducing bad faith applications and proving a better means of fighting them.

The draft law puts the emphasis on bad faith trademark registrations and oppositions against trademarks. In the third draft amendment (Article 36), the right to file an opposition is limited and remains open to only those who "own prior rights" or are an "interested party". This is a concept that still has to be defined more precisely.

Unsuccessful oppositions will immediately lead to the registration of the attacked trademarks and trademark agents will be prevented from registering marks in their own name or for profit. The possibility offered to opponents to file an appeal at the TRAB will no longer be available.

On the other hand, an applicant against whose trademark an opposition has been filed

successfully will still keep the right to file an appeal. The consequence is that trademarks whose registration should have been originally denied could still mature to registration. The only remaining action would be the invalidation proceeding, which is more expensive and complicated.

Trademark owners would then have enough time to ensure use of the trademark and therefore secure the bad faith trademark registration. This could lead to an increase in bad faith and hijacking activity. In the scope of the direction taken by the Chinese authorities, this provision should not be adopted as it would be counterproductive.

Finally, to give more strength to the fight against bad faith, the draft law also proposes stronger enforcement measures and increasing economic penalties for infringement.

Improvements, but problem still not solved in practice

The problem in such cases for the victims is to prove the bad faith. Chinese companies that register trademarks in bad faith feel that many 'victims' prefer to negotiate the purchase of the trademark instead of going in front of a Chinese court.

However, some helpful strategies could be adopted to fight against a trademark filed in bad faith, be it through a cancellation action

or an opposition, for instance. For example, to recognise bad faith, one should focus on criteria such as the absence of a reply from the applicant and the high reputation of the earlier trademark.

In addition, it is recommended to ascertain for which products or services the applicant aims to use or is using the trademark, as well as to make the responsible jurisdiction aware of the high quotation offered by the applicant for selling the trademark. Trademark owners should also provide a list of all of the filings it has done worldwide.

For instance, in the past, the French wine marketplace was largely victimised by bad faith registrations. Today, France provides and illustrates what improvements have been made and the type of protection that have been put in place. Recently, SIPO has started encouraging decisions in conflicts involving wine trademark owners, given the fact that the decisions rendered in favour of trademark owners are quite difficult to obtain in China.

Two wine producers successfully undertook steps against bad faith trademark registrants in China. In the Chateau Ausone case, the plaintiff successfully requested cancellation of a trademark filed in Chinese characters, which meant 'Ausone'. This decision is very surprising because Chateau Ausone was not the owner of prior rights over these Chinese characters. It is on the basis of its prior use in China and its

notoriety that SIPO recognised the bad faith of the trademark applicant. Most of the time, it has to be noted that bad faith registrants are known to the European business companies, according to Jean Baptiste Thial de Bordenave, a wine law specialist.

The problem of trademark squatting is far from being solved in China. Nevertheless, we recognise a clear will to change the law and protect foreign companies. The decisions evoked above clearly show the trend. However, although it looks promising, it is not yet clear how this will be instituted in regular practice. [IPPro](#)



Clémence Le Coïnte
Trademark attorney
Demmeyer & Associates