

# CHINA: Bad-Faith Case Puts Agents' Role in the Spotlight

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In the Emerson case in April relating to the reimbursement of expenses in trademark administrative actions, the Fujian High People's Court has confirmed the liability of the agency, Xin Jun Intellectual Property Co., Ltd. (Xing Jun), which accounted for 47 of the 48 contested trademarks.

On December 25, 2015, in opposition review cases against the applicant's four IN-SINK-ERATOR trademarks, the Beijing High Court issued second-instance judgments affirming the applicant's bad faith in squatting trademarks. However, Xing Jun continued to represent the applicant in various trademark matters until Emerson initiated its civil case on March 5, 2020. The Xiamen Intermediate Court's first-instance judgment held that Xing Jun was jointly liable for RMB 640,000 (approximately US \$98,000) or 40 percent of the entire damage to the plaintiff.

Dissatisfied with the ruling, Xing Jun appealed, contesting in its petition that:

- The applicant's trademark filings did not infringe Emerson's rights;
- There was no proof that Xing Jun was aware that the applicant intended to engage in trademark squatting and did not intend to use the trademarks commercially; and
- Xing Jun had not earned profits and was charging only very minimal agent fees.

The first-instance judgment (2020 MIN 02 MINCHU NO. 149) was upheld, stating the agency's obligation to abide by the good-faith doctrine and restricting it from representing bad-faith trademark filers under the Trademark Law. Xing Jun's behavior, including continuing to represent the applicant, was deemed as assisting the applicant's infringement.

The current Trademark Law constrains the obligation of trademark agencies in Article 19, and stipulates the consequences of failing to abide by Article 68, in order to regulate trademark agencies' activities and curb bad-faith trademark filings and squatting. Apparently, this mission was accomplished to a certain extent in the current case. It is believed to have an intimidating effect on agencies.

In the meantime, the court's ruling imposes an obligation on trademark agencies to undertake cautious due diligence before accepting a case. Where no public blacklist of bad-faith applicants is available, trademark agencies should pay more attention when accepting instructions, particularly in balancing a client's benefits and professional restrictions.