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Article 4 Of The New Trademark Law: An Efficient Tool To Fight Against Bad Faith trademark filings (2020)

Yang Mingming, Li Chen, March 20, 2020

The fourth amendment of China's Trademark Law has come into force on November 1, 2019. The revised Article 4 of the Law now reads: "trademark filed in bad faith without intention to use shall be rejected". This modified version of article 4 is also mentioned in Article 44.1 of the Law, which provides that any trademark registered in violation of Article 4 and any trademark registered by fraudulent or unfair means, shall be declared invalid.

There is a difference between "application in bad faith without intention to use" and "obtaining registration by fraudulent or unfair means". The CNIPA decision dated April 26, 2019, even if made under the previous version of the law, helps analyse this difference.

Case Brief:

Shanghai KANG HANG Biotechnology Co., Ltd. applied to register the trademark "neocate" in respect of the goods "soap; laundry preparations; cosmetics; talcum pow-der; cotton swabs for cosmetic purposes; bath powder; toilet water; tissues impreg-nated with cosmetic lotions; dentifrices" in Class 3.

SHS INTERNATIONAL LTD. filed an application for declaration of invalidation against the aforesaid trademark on April 28, 2018, alleging that the registration of the dis-puted trademark violates the provision of Article 30 and 44.1 of the Trademark Law.

CNIPA Ruling:

The China National Intellectual Property Administration (CNIPA) found that the regis-tration of the disputed trademark "acquired by unfair means", an absolute ground for invalidation as stipulated in Article 44.1, thus declared the trademark invalid.

The CNIPA's reasonings combined article 4 and Article 44.1:

- The CNIPA observes that Article 4 of the Trademark Law (in its version prior to the recent revision) provided that any person who needs to acquire the exclusive right to use a trademark for its business (goods or services) shall file an applica-tion for registration. The CNIPA, therefore, considers that the link between the act of filing a trademark application and the related business implies that the applicant should have a real intention to use the trademark in fulfilling its/his business demand, and that the trademark application should be reasonable and legitimate.

  • The CNIPA, then, notes that it is by no means a coincidence that the disputed trademark is identical with the cited trademark of SHS INTERNATIONAL. In addi-tion, it is established that Shanghai KANG HANG applied to register over 180 trademarks, most of which are either identical with or similar to others' famous brands. The applicant (Shanghai KANG HANG) failed to provide any reasonable explanation justifying its massive registration and submitted no evidence proving that the disputed trademark together with other trademarks had been put into actual use. Therefore,

- Shanghai KANG HANG's application for the disputed trademark and numerous other trademarks disrupted the trademark registration order.

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Comments:

In its reasoning, the CNIPA combined article 4 and 44.1. It took the view that Article 4, before the revision, had already established the link between the act of filing a trademark application and the need of a business underlying such act. In the absence of such business, the concept of “disruption of the trademark public order” provided in article 44.1 could be used to sanction and invalidate.

The new Article 4 makes it even more clear, but this will only apply to trademarks filed after the entry into force of the revised law. The China’s Supreme People’s Court (SPC) has yet promulgated any judicial interpretation on how to apply the new law. However, it is highly likely that Article 4 will have no retroactive effect over the trademarks that were registered prior to November 1, 2019.

It is, however, possible to find in the Guidelines of the Beijing High Court for the Ad-judication of Administrative Cases Concerning Granting and Affirmation of Trade-mark Rights (came into force as of April 24, 2019), some useful explanation. For example, it is clarified that bad faith and lack of intention to use are cumulative conditions. In other words, filing a trademark without intention to use it, is not, per se, an act of bad faith. The Guidelines provide examples indicating the presence of bad faith, such as the fact of being aware of the existence of other’s trademark prior to filing an identical or similar trademark. Yet, the background is mainly the public order as sanctioned by article 44.1. It is necessary to prove that the bad faith of the applicant “disturbs the trademark registration order, impedes public interest, or en-croaches public resources”.

Regarding the lack of real intention to use, which is not mentioned in Article 44.1, the “Several Provisions on Regulating Trademark Application”, issued by the State Administration for Market Regulation, which has come into force on December 1, 2019, enumerates parameters that may help to determine real intention to use, such as the number, classes of the applied trademarks, the transaction records of trade-marks, business operation of the applicant, effective rulings on infringement or bad faith registration, among others.

Last, it should be noted that Article 44.1, in practice, is only applied by the CNIPA in trademark invalidation procedure. Article 4 has a much broader application scope since it can be used from the examination on the trademark application, to the re-view of refusal, oppositions, review of opposition and invalidation procedures.