

Bad faith as a cause of trademark registrability in China

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Bad faith at the time of registering a trademark is one of the classic figures of law within the field of Intellectual Property and a critical issue in China that causes great concern not only for the Popular Republic itself, but also for foreign companies that have this country in their sights.

The increasing expansion of foreign brands in the Chinese market has led to problems regarding the protection of them and, consequently, of their owners. The number of applications for registered distinctive signs has exceeded the capacity of the Office in charge, for which several amendments have been made to China's Trademark Law. In April 2019, the legislative entity approved amendments to a certain number of laws that seek to strengthen the protection for intellectual property rights, in order to align them to similar laws in other WTO member countries.

We now have a Trademark Office that will be able to deny applications in bad faith in an absolute manner, according to Article Number 4 of the aforementioned law, which indicates that "*those guilty of registering trademarks in bad faith and without intention of use will be penalized*". While Article Number 19 indicates that: "*The trademark registration agencies will have the responsibility to reject clients who present requests in bad faith; accepting such clients will result in a warning or penalty fee.*"

The penalties against this bad faith registration can be quite severe according to the following articles: *Compensation of up to five times the damages for "malicious" trademark infringements and increase of the legal limit for the payment of damages up to 5 million RMB (741,180 USD) of the 3 million RMB (444,708 USD) (Article Number 63); Indications to the courts to order the destruction of articles with counterfeit trademarks, as well as the tools and materials used to manufacture those articles (Article Number 63); and Authorize the courts to sanction the malicious filing of trademark claims (Article Number 68).*

Now, if we refer to Article 44.1: "*The registration acquired by fraud or any other unfair means shall be declared invalid*", we are led to assume that this applies specifically to the submission of massive applications for trademarks identical or similar to the trademarks of others; to corporate names, names of social organizations and commercial posters of others; or either to sell trademarks or to sue for infringement against the trademark owner after failing to transfer them at a high price.

For a better understanding we will analyze the case of New Balance () against New Bunren (; ). In 2010, New Bunren filed its corresponding trademarks. New Balance filed an opposition, which was denied. As a second option, they appealed to the court without any result, and finally, they made the decision to take the case to the Beijing High Court and lost once again.

In 2015, New Bunren started using the brand and launched the "New Bunren" shoes. New Balance sued New Bunren for trademark infringement and unfair competition, at the same time filing a petition for a new trial with the Supreme Court.

It is in the year 2016, when the civil court found New Bunren liable for trademark infringement and unfair competition, thus awarding New Balance compensation of RMB 3.3 million in damages and a permanent injunction. Finally, in 2020, the Supreme Court found bad faith in New Bunren's trademark application, mainly due to bad faith in actual use, and ruled that the trademark registration should be invalidated.

In this sense, it can be affirmed that it constitutes an infringement "to use a trademark that is identical to a registered trademark for the same products without the authorization of the owner of the registered trademark", or "to use a trademark similar to a registered trademark for the same products. or use a trademark identical or similar to a registered trademark with respect to similar products, without the authorization of the owner of the trademark, in cases where such use causes confusion".

In conclusion, while there are still challenges ahead, these new Trademark Law tools can be of great use in order to challenge bad faith applications and help trademark owners who are fighting illegal applicants in this country.

Trademark protection through the Chinese judicial system has improved notably, especially in large cities such as Beijing, Shanghai and Guangzhou, where there are currently Intellectual Property Law courts. However, despite the fact that these new laws represent a great advance, the best way to protect your trademark from illegal applicants in China is to get your trademark registered in China as soon as you seek to market products or services in this country, and even if you simply plan to manufacture them.

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