

One Minute Memo®



New Amendment to Chinese Trademark Law Seeks to Combat “Bad Faith” Filers

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Seyfarth Synopsis: On April 23, 2019, the 10th Session of the Standing Committee of the 13th National People’s Congress in China (NPC) amended the Chinese Trademark Law. The changes are intended to combat the problem of trademark filings made in bad faith in China. Concerns remain, though, that the new law may undermine the practice by which legitimate brand owners file “defensive” trademark applications in China.

Earlier this year, the global trademark community received news that the Chinese Trademark Law would be amended, with the ostensible purpose of combatting bad faith trademark filings in China. News of the amendment was pleasing to brand owners, who are acutely aware of the difficulties in dealing with bad faith trademark filers in China. The amendment reads in pertinent part as follows:

Where any natural person, legal entity or other organization, in the course of his or its production or business operations, intends to acquire the exclusive right to use a trademark for his or its goods or services, an application should be filed with the Trademark Office for registration of the goods trademark. Applications for trademark registrations in bad faith which are not intended for use shall be refused.

The amended law goes into effect on November 1, 2019.

Unlike in the U.S. and certain other jurisdictions, where trademark rights derive from use and not registration, trademark rights in China are secured by obtaining trademark registration, and the party who files an application for registration of a trademark first is typically given priority in the establishment of trademark rights in China. This structure creates what is often referred to as a “race to the filing office” for trademarks in China. As a result, there are incentives for bad faith filers to attempt to file trademark applications for trademarks owned by legitimate brand owners, in the hopes that the brand owner will be forced to purchase the resulting trademark registrations from the bad faith filer.

Bad faith filers also sometimes attempt to obtain registrations for trademarks in goods or service classes outside of those in which the legitimate brand owner operates. For example, a bad faith filer may seek registration of a legitimate footwear trademark in connection with unrelated goods such as beer, video games, luggage, etc. These non-class registrations also pose problems for the legitimate brand owner because such registrations can be used as the foundation for counterfeiting operations and other nefarious activities. For this reason, legitimate brand owners often “file defensively” in China, in an effort to secure trademark registrations that significantly exceed the scope of actually intended goods and services to be offered under their mark.

Against this backdrop, the new amendment appears encouraging to brand owners. It is worth noting that the original version of the amendment apparently did not include the reference to the term “bad faith.” Rather, the original version simply said that “any trademark application *without intent* to use shall be dismissed” (emphasis added). While this language would have targeted bad faith filers, it also might have encompassed legitimate defensive filers as well, and this concern apparently led to the inclusion of “bad faith” in addition to “without intent to use.”

That said, there currently is no clear definition for “bad faith” in the amendment or otherwise in the law. As such, it is unclear at this time how the law will be interpreted, and whether it will have the seemingly intended result of deterring bad faith filers and providing legitimate brand owners another weapon to use against bad faith filings.

There is reason for hope in this regard. The Supreme People’s Court (SPC) in China, which is the country’s highest court, has in the past complained, and continues to complain still, about the problem of bad faith trademark filers in China. In a 2018 decision, the SPC, in the *Shanyin v. Zhongjun*, case criticized illegitimate trademark hoarders for filing deceitful trademark applications. Many expect that this case will be a helpful precedent in the further attack against bad faith filers. It also may suggest the approach that lower courts, the China Trade Mark Office and the Trademark Review and Adjudication Board will take in considering the new law.

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