



CHINA

**STUDY ON CHINESE TRADE MARK
LAW:
Assessment of the impact of the
reform of China's trade mark law**

Final Report

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EXECUTIVE SUMMARY

This study's purpose is to comprehensively assess the impact of the newly enacted provisions of the Trademark Law on national and international stakeholders on the ground, assessing the extent to which the new rules and procedures positively or negatively affect the possibility of defending trade mark rights in the Chinese legal order. The study focuses on the impact of the newly enacted provisions on the ability of brand owners to tackle bad-faith trade marks in China.

The study is made up of four distinct sections:

1. an analysis of the introduction of bad faith as a ground for refusal;
2. an analysis of how the transformation of trade marks to resemble other registered trade marks is being tackled by the Chinese trade mark system;
3. an analysis of the recognition of well-known trade marks and its role in tackling bad-faith trade marks; and
4. an analysis of the Chinese trade mark system and possible improvements to tackle the problem of bad-faith trade marks.

The key points arising from the study are as follows.

1. Analysis of the impact of the introduction of bad faith as a ground for refusal

- The principal development regarding bad-faith trade marks in the Fourth Amendment to the Trademark Law is the amendment of Article 4 to include bad faith on the part of the applicant, together with the absence of an intention to use the mark, as a ground for refusal. The authorities have made it clear that both conditions are required, and therefore this Article is specifically aimed at dealing with trade mark hoarding. Many other forms of bad-faith activity also exist, but Article 4 is not intended to be a 'catch-all' bad-faith clause.
- The Fourth Amendment has been widely welcomed and is regarded as very positive, particularly by practitioners on the ground in China.
- The amendments to the Trademark Law itself are not the only changes. The trade mark system as a whole continues to develop, and practitioners are also seeing positive developments in practice, such as the practice (albeit informal) of accepting complaint letters from original brand owners regarding bad-faith applications during the examination stage. Quantitative analysis of outcomes, in particular Trademark Review and Adjudication Department decisions, show early positive developments. However, more time is needed to fully understand the impact on decisions by the Trademark Review and Adjudication Department and the administrative courts, given that most decisions analysed in this study, although issued after the amendments took effect, were still decided under the Third Amendment.
- Qualitatively, the China Trademark Office and the Trademark Review and Adjudication Department do appear to take account of factors indicating bad faith on the part of the applicant generally, even if the basis of the final decision is not a specific bad-faith Article (i.e. one aimed directly at bad-faith applications, such as Article 4 (hoarding) or Article 44 (prohibiting applications made using fraud or improper means)). Practitioners observe this, for instance, through the more flexible application of Article 30 by the China Trademark Office in oppositions, allowing a broader interpretation of similar marks and similar goods/services when the applicant's bad faith is apparent. This leads to a perception that the criteria for assessing bad faith are not consistently applied among the China Trademark Office, the Trademark Review and Adjudication Department and the courts, leading to some continued uncertainty for original brand owners.

- Despite these positive amendments, serious concerns remain about the problem of bad-faith trade marks as a whole, which continues to plague the system. It is still too easy and too inexpensive to apply for bad-faith trade marks, and there is little or no real deterrent when the most common impact on a bad-faith applicant is simply the refusal or invalidation of a trade mark filed in bad faith. The burden of dealing with bad-faith applications lies too heavily on the original (good-faith) brand owners. Practitioners would like to see greater punishment handed out to bad-faith applicants and colluding agents to create real consequences for bad-faith behaviour.
2. **Analysis of how the transformation of trade marks to resemble other registered trade marks is being tackled by the Chinese trade mark system**
- Transformation as an issue has been known to the authorities for years. There are many ways in which original brand owners' trade marks are creatively transformed by bad-faith actors to avoid the scrutiny of the examiners. Most transformed marks are filed in relation to classes of goods/services that conflict with the original brand owner's interests.
 - The principal challenge is for examiners to have before them the original trade mark that has been transformed, to be able to assess the application accurately. This is largely a technical challenge for the search tools used by the examiners. The perception is that many transformed marks are 'missed' by examiners and slip through.
 - Opposition cases before the China Trademark Office in which the original brand owner is bringing the transformation to the examiner's attention are, on balance, supported, but outcomes are not strong and the opposition of certain types of transformation (such as imitating other marks by reversing the letters) are poorly supported. Invalidation cases before the Trademark Review and Adjudication Department, again where the original brand owner is bringing the transformation to the examiner's attention, are much more strongly supported and are, on average, better supported than invalidations involving claims of bad faith generally. The availability of Article 44 to the Trademark Review and Adjudication Department (which is not available to the China Trademark Office in oppositions) seems to be a significant factor in this difference.
 - There is yet to be any substantial use of Article 4 in opposition and invalidation cases involving transformation. This may reflect a conservative view of the scope of its application (strictly for hoarding cases only) and because many bad-faith applicants of transformed marks do actually intend to use their marks to create confusion in the marketplace for their own benefit.
 - European original brand owners fare slightly better in cases against transformed marks than Chinese and other foreign brand owners.
3. **Analysis of the recognition of well-known trade marks**
- No changes to the law were made in the Fourth Amendment concerning well-known trade marks. Strictly, in law, the assessment as to whether a cited mark should be recognised as well-known is independent of any assessment of whether the application or registration against which it is cited was made in bad faith.
 - Practitioners regard well-known trade mark status as an increasingly important weapon against bad-faith trade marks. However, on balance, the high threshold for European businesses to achieve well-known trade mark status appears to have increased in recent years.

- In practice, the recognition of the bad faith of the mark in question tends to exclude the possibility of recognising the cited mark as well-known. The China Trademark Office and the Trademark Review and Adjudication Department tend to avoid the assessment of well-known status if there are sufficient grounds to reject or invalidate the mark on other grounds. As a consequence, well-known trade mark recognition is harder to achieve in the context of a claim against a bad-faith mark.
- Many brand owners are increasingly concerned with the way some bad-faith marks that are used on similar goods/services may not cause confusion (and so are not regulated by Article 30) but still blur the overall impression and impact of well-known trade marks. The provisions for well-known trade marks are, however, designed to prevent or remove the registration of marks only for **dissimilar** goods/services and are generally not applicable in these situations. There is, therefore, a perceived gap in protection.

4. Analysis of the Chinese trade mark system and possible improvements

The key recommendations for improvements to the Chinese trade mark system are as follows.

Bad-faith trade marks generally

- Develop regulation to enable serious punishment to be imposed on bad-faith actors and their colluding agents, including granting powers to the China Trademark Office and the Trademark Review and Adjudication Department to punish bad-faith actors and their agents in clear cases of bad faith. Moreover, the introduction of security deposits for trade mark agents at the China National Intellectual Property Administration will mean that punishment fines can be deducted from these.
- Publish an official blacklist showing, inter alia, any fines or other punishment already applied to actors and agents, with the possibility that repeated violations will cause a blacklisted actor or agent to be banned from applying for new trade marks for a period.
- Reinstigate the suspension of refusal appeals when action is ongoing against blocking citations that appear to have been filed in bad faith, and to expedite the examination of those citations.
- Reintroduce the regulation of trade mark agents and strengthen supervision.
- Introduce use requirements to maintain registrations, creating an active obligation on all trade mark owners to file evidence of use of marks within 3 years of registration and an obligation to file evidence of use for a renewal application to be accepted.

Transformation of trade marks

- Support examiners, and the examination process of transformed marks, by developing technology to support smarter searching using artificial intelligence technology, and providing additional training.
- Make the filing of complaint letters during examination a formal process.

Well-known trade marks

- Improve the protection of well-known trade marks by recognising well-known status in practice, independently of any considerations concerning the bad faith of the applicant, and publishing guidance on this.
- Clearly establish that the protection of well-known trade marks can extend to marks applied for or registered in relation to similar goods/services where those marks take unfair advantage of the original brand owner's reputation.

1. Methodology

1.1. Acronyms and Abbreviations

Acronym	Name
CNIPA	China National Intellectual Property Administration
CTA	China Trademark Association
CTMO	China Trademark Office
EUCCC	European Union Chamber of Commerce in China
EUIPO	European Union Intellectual Property Office
INTA	International Trademark Association
MNC	Multi-National Companies
NPC	National People's Congress
SAMR	State Administration for Market Regulation
SIPO	State Intellectual Property Office
SPC	Supreme People's Court
TRAB	Trademark Review and Adjudication Board
TRAD	Trademark Review and Adjudication Department

1.2. Terminology

In this report, the following terms and abbreviations have been used.

- **BFTMs or bad-faith trade marks** – trade mark applications and registrations that have been filed in bad faith.
- **BF or bad faith** – behaviour where there is the intention of taking unfair advantage of an original brand owner's brand and/or reputation. This unfair advantage may take many forms, including creating confusion in the market, blocking the original brand owner from registering or extending registrations for its brand, and preventing the original brand owner from freely trading under its brand. The behaviours are all intended to create some commercial advantage for the bad-faith applicant, such as 'hostage payments' to sell trade mark registrations, diverting customer traffic, or commercial opportunities such as becoming a distributor.
- **WKTMs** – well-known trade marks.
- **Original brand owner** – the owner of an existing brand whose brand is being copied in some way in a BFTM; referred to as 'original brand owner' or 'brand owner' in the report.
- **Hoarding** – the business of filing and registering trade marks speculatively, without any intention to trade under the marks, with the hope that a legitimate trader will want to register one or more of the marks in future, at which point the hoarder will seek to obtain some commercial advantage from the speculative registration.
- **Malicious** – frequently used to describe **bad-faith** acts and/or **hoarding**, depending on the original translation used; often used interchangeably with **bad faith** and **hoarding**.

1.3. Methodology

Each of the first three sections of the study (**BF as a ground for refusal**, **BF transformation of marks**, and **WKTMs**) was approached in three phases:

- (i) research
- (ii) analysis
- (iii) conclusions.

The fourth section, on identifying **possible improvements**, presents recommendations that flow from the conclusions in the first three sections, together with more holistic recommendations to address the problem of BFTMs more widely.

1.4. Research

The purpose of this study is to comprehensively assess the impact of the newly enacted provisions of the Trademark Law on national and international stakeholders on the ground, assessing the extent to which the new rules and procedures positively or negatively affect the possibility of defending trade mark rights in the Chinese legal order. The focus of the study is the impact of the newly enacted provisions on the ability of original brand owners to tackle bad-faith trade marks in China.

The study comprised desk-based research, market-based research and consultation with officials.

Desk-based research

This covered three areas.

- (i) Research and analysis of available case law in China:
 - collation of relevant CTMO decisions, TRAD decisions and court decisions where the Fourth Amendment to the law is applied.
- (ii) Research and analysis of the law, available official interpretations and guidance:
 - collation and analysis of all relevant materials (law, regulations, interpretations, court guidance, CTMO/TRAD guidelines, etc.).
- (iii) Research and analysis of existing literature and experience:
 - conducting a full literature review to assess and analyse any existing material, including available academic analyses made prior to the Fourth Amendment to the law and any made subsequent to it;
 - review of existing studies, and references to the experience of the study group.

Market based research

Market-based research was conducted to assess the impact of the amendments so far, as well as their ability to deal with the issues in the future as they inevitably morph and develop:

- (i) identifying those acts of bad faith that were of greatest concern for stakeholders in China before the 2019 amendments, to determine to what extent they remain; and

- (ii) considering the topics addressed in the 2019 amendments, to determine the impact of the 2019 amendments.

Research amongst key stakeholders was conducted.

- (i) A questionnaire was developed and circulated to more than 200 key stakeholders. It was circulated by email, online promotion and through WeChat⁽¹⁾. The questionnaire itself could be completed through a web interface and through a WeChat mini-program.

The questionnaire was published in five languages (Chinese, English, French, German and Spanish).

- (ii) Interviews were requested with in-house IP counsel from European and other MNCs from a range of industries, all drawn from the contacts of the study group.
- (iii) The possibility of interviews with key officials from the CNIPA, the Supreme People's Court and the Beijing High People's Court was explored.
- (iv) The 2019/20 and 2020/21 Position Papers issued by the European Union Chamber of Commerce in China (EUCCC) were reviewed to identify bad-faith trade mark related issues that were of concern to European businesses.

All the China research was collated and analysed to understand how the Chinese trade mark system functions today, following the implementation of the revised trade mark law, and what issues remain.

Consultation of officials and judges

The aim had been to bring together officials from the CNIPA, the CTMO and the TRAD, judges from the Beijing High People's Court and the Supreme People's Court, along with relevant academics in a roundtable meeting to discuss the positive progress of the Fourth Amendment and remaining challenges.

However, given DG Trade, IP Key and the EUIPO's intention to bring a similar range of stakeholders together to discuss the issues following completion of the report, it was requested that an official roundtable request was not made, but instead input was sought from officials and judges by the study team with the endorsement of IP Key.

Unfortunately, the requests did not meet with approval, and both the Beijing High People's Court and the Supreme People's Court declined the request on the basis that it should come directly from IP Key rather than from a firm representing IP Key.

Experience of the study group

In addition, the authors of this report have relied on their own professional experience, as well as those of their Rouse and Lusheng colleagues, to provide further data, information and insights.

Rouse has been providing the full range of trade mark management services in China for over 25 years. Rouse's trade mark practice currently employs 78 trade mark professionals, many of whom are active members of the CTA, the INTA and other trade mark bodies and forums and have been recognised externally for their leading trade mark experience and knowledge.

⁽¹⁾WeChat is a popular Chinese multi-purpose messaging, social media and mobile payment app developed by Tencent Holdings Ltd.

While many of Rouse's client relationships are confidential, it can be disclosed that Rouse acts for 45 % of Brandirectory's Global 500 Brands 2021 and 53 % of Interbrand's Best Global Brands 2021.

This means that the study group has close relationships with many European and other MNCs, including close working relationships with their in-house IP counsel (or general commercial counsel) in China. This made it easier to access information 'from the coal face' about the improvements and continuing challenges in the trade mark system in China.

2. Analysis of the introduction of bad faith as a ground for refusal

2.1. Introduction

The problem of bad-faith trade marks in China has been one of the most significant and challenging concerns for businesses operating in China for at least the last 10 years. Despite measures taken historically, the problem has persisted. With the incredible growth in the number of trade marks filed in China in the last decade – from 1.1 million in 2010 to 9.1 million in 2020 – the perception is that the problem of bad-faith trade marks has also grown.

2.2. Background context: recent changes to the China Trademark Law

In August 2013, in an attempt to democratise the use of trade marks, and reflecting the market value of trade marks, the National People's Congress (NPC) passed an amendment to the Trademark Law in which it made a series of arrangements to emphasise the use of trade marks and strengthen their protection.

For the first time, the law also introduced provisions requiring applicants to abide by the principle of good faith when applying for trade marks. The related Implementation Regulations for the Trademark Law also closely focused on the requirement of the Trademark Law to increase efforts to thwart bad-faith registrations. It stipulated that the original owner of a well-known trade mark would not be bound by the 5-year time limit to request invalidation of a bad-faith registration.

A surge of implementing measures to curb bad-faith trade marks, as well as a more active trade mark office, were also introduced and played an important role in changes to the opposition proceedings.

At a high level, from experience representing a large base of foreign businesses with interests in China, disputes claiming bad faith make up a considerable proportion of the total disputes reviewed by the trade mark authorities. However, as the majority of oppositions are not supported at the CTMO stage⁽²⁾ they will need to be assessed in more detail during invalidation proceedings at the TRAD stage.

The 'Annual Development Report on China's Trademark Brand Strategy (2017)⁽³⁾ issued by the National Trademark Office and the former Trademark Review and Adjudication Board showed that there were more than 5 million trade mark registration applications in 2017. Among those applications that were approved for publication and then subsequently opposed, only 22 000 were not approved or partly not approved for registration through oppositions, among which 5 734 cases were refused for registration based on bad faith, accounting for 26 % of the total. The following is a breakdown by the specific Article that formed the basis of the rejection:

- 1 212 cases (5.6 %) were in violation of Article 7 of the Trademark Law, 'the principle of good faith';
- 2 352 cases (10.9 %) were in violation of Article 13 of the Trademark Law, 'expanded protection for well-known trademarks';
- 246 cases (1.1 %) were in violation of Article 15 of the Trademark Law, 'pre-emptive registration applied by trade mark agent or representative'; and

⁽²⁾Data on the proportion of oppositions supported by the CTMO is not regularly published; however, in 2019 the CTMO published data to show that 47.7 % of oppositions were supported.

⁽³⁾Annual Development Report on China's Trademark Brand Strategy (2017). Trademark Office of China National Intellectual Property Administration, http://sbj.cnipa.gov.cn/sbtj/201805/t20180510_274101.html (accessed on 29 June 2021).

- 1 924 cases (8.9 %) were in violation of Article 32 of the Trademark Law, 'violation of other prior rights' or registered the marks through malicious means⁽⁴⁾.

Following the Third Amendment to the Trademark Law in 2013, the natural order would have meant a review 10 years later⁽⁵⁾, but the increasing concern from stakeholders and the ever more dynamic and creative actions of bad-faith actors meant there was a growing urgency to tackle the issue sooner. Therefore, BFTMs were one of the principal drivers of the Fourth Amendment to the Law.



2.3. The Fourth Amendment to the Trademark Law in 2019: further evolution of bad-faith recognition

The Fourth Amendment to the Trade Mark Law came into effect on 1 November 2019 and sought to address bad faith with the introduction of explicit bad-faith grounds to be used in oppositions and invalidations. There was also an emphasis on regulations and stronger administrative punishment for bad-faith filers and agents. Courts were given the power to impose punishments if trade mark litigation was initiated in bad faith.

2.3.1 The provisions on bad faith in the Third Amendment

The 2013 Trademark Law incorporating the Third Amendment introduced the general principle of honesty (or good faith) in Article 7 and emphasised the **use** of trade marks, rather than expressly prohibiting bad-faith behaviour. Therefore, Articles 10, 11, 12, 13, 15, 32 and 44 may be used to refuse and/or cancel trade marks that are merely 'taking up space', and the 3 year non-use cancellation system under Article 49(2) and Article 59 seeks to remove those trade mark rights that are not being used⁽⁶⁾.

The relevant provisions following the Third Amendment are analysed in detail below.

- Article 4 is only a declarative clause (meaning this Article is not supported by the High People's Court, and therefore the CTMO and the TRAD are reluctant to reject bad-faith trade mark

⁽⁴⁾ Annual Development Report on China's Trademark Brand Strategy (2017). Trademark Office of China National Intellectual Property Administration. http://sbj.cnipa.gov.cn/sbtj/201805/t20180510_274101.html (accessed on 29 June 2021).

⁽⁵⁾ The original Trademark Law was adopted in 1982 and revised approximately every 10 years thereafter, in 1993 (First Revision), 2001 (Second Revision) and 2013 (Third Revision).

⁽⁶⁾ Du Ying & Wang Wenjing (31 May 2020). China Patent and Trademark (2020 3): Impact of the Fourth Amendment of the Trademark Law on the Suppression of Bad-faith Registration. <https://mp.weixin.qq.com/s/grwvyJbK0bs0ivPAInSzwv%20> (accessed on 29 June 2021).

applications based on this Article, as the decisions might be overruled by the court). The original intention of this Article was to regulate the purpose of trade mark applications, that is, the trade mark application should be for production and business needs, rather than hoarding trade marks, resulting in a waste of trade mark resources. Article 4 is not currently used as a basis for rejecting trade mark applications during examination, due to the courts' reluctance to support it.

- Article 7, the 'principle of honesty', is only regarded as a general clause (this Article echoes the 'principle of honesty' in civil law) and is generally not used as a direct basis for trade mark review and adjudication, as it does not appear in any specific Articles and cannot be used/cited by an authority. Moreover, it is not supported by the court as a legal basis for decisions. Its legislative spirit has been reflected in the specific provisions of the Trademark Law.
- Article 10, paragraph 1, item 8 refers to applications that are 'harmful to socialist morals or customs or have other adverse effects'. It can deter those infringing 'public rights', but cannot be used to combat 'bad-faith applications', which are 'private rights' owned by specific brand owners; these should be regulated by other Articles of the Trademark Law.
- The latter part of Article 32 requires a 'certain reputation' of the prior mark as the basis for the recognition of 'bad faith'. This additional requirement raises additional burden of proof issues for the original brand owner (discussed further in sections 2.3.3 and 3.5.3).
- Article 44, paragraph 1, uses the expression 'obtaining trade mark registration by deception or other improper means'. There are academic disputes about the aims of this Article, which targets 'malicious behaviour' (obtaining trade mark registration through unfair means procedurally, such as by using fabricated documents for applying for trade marks) rather than targeting 'malicious trade marks' (which sees the trade mark itself as a copy / imitation / pre-emptive filing). Moreover, this Article can only be applied to registered trade marks and not unregistered marks. It can be used to partially support the examination of bad-faith applications and can be relied on by the TRAD in invalidation proceedings. Article 44 is not supported by the CTMO in opposition proceedings, where bad-faith applications and issues are most prevalent.

2.3.2 The amendments in detail

Appendix VI provides a comparative table (2013 v 2019) of the Articles analysed in this study.

The single most important change in the Fourth Amendment of the Law was the amendment to **Article 4**, which introduced the provision that 'Any application for trade mark registration that is in bad faith and is not filed for the purpose of use shall be rejected'. Bad faith itself is not defined, although guidance has since been given as to what constitutes 'acting in bad faith', as discussed below. As drafted, an application should be rejected if it was **both** filed in bad faith **and** filed without the intention to use.

In addition, amendments were made to the following Articles.

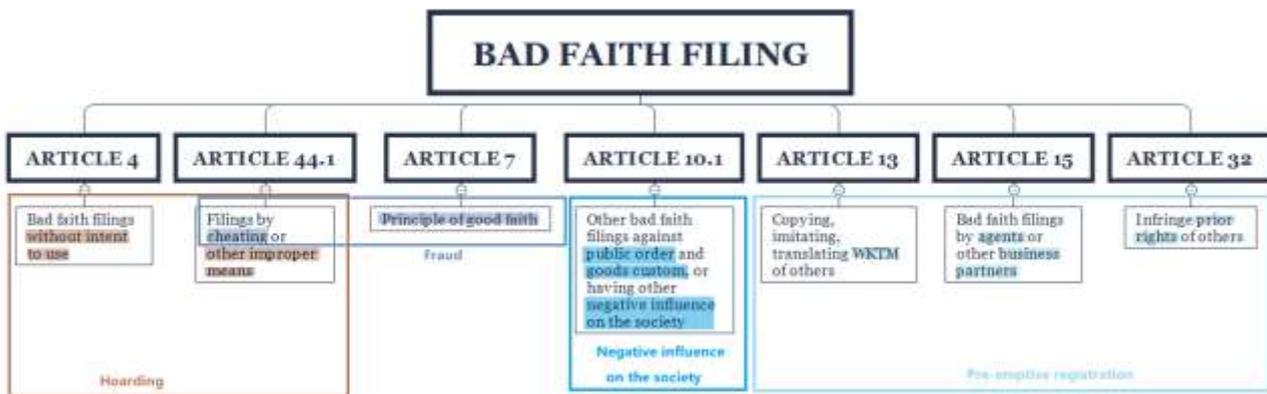
- **Article 19** – which provides that, if a trade mark agency knows or should know that an instruction it receives to file a trade mark application is contrary to Article 4, it should not accept the instruction.
- **Article 33** – which provides expressly that Article 4 (applying for a mark in bad faith without intention to use) can be a basis for opposition. In terms of procedure, Article 4 is an absolute ground for opposition, meaning that anyone, not only prior rights holders and interested parties, can file an opposition based on the bad faith of the applicant.

- **Article 44** – which provides expressly that Article 4 (applying for a mark in bad faith without intention to use) can be a basis for invalidation.
- **Article 68** – which provides that:
 - a trade mark agency that files trade marks in bad faith is liable to receive administrative penalties including warnings and fines;
 - a trade mark agency that commences trade mark litigation proceedings in bad faith may be penalised by the People’s Courts.

The Fourth Amendment to the law provides more legal grounds for tackling bad-faith issues compared to the previous law. Articles 4, 7, 33 and 44 can be used against bad-faith filing / bad-faith applicants, and Articles 15, 19 and 68 can be used against agents who initiate or assist bad-faith filing.

2.3.3 Several provisions regarding bad-faith filings

The provisions relating to bad-faith filings (i.e. Articles 4, 10.1, 13, 15, 32, 44.1) can be presented as follows:



- **Article 4 (hoarding)**

The amendment to Article 4 resolves the issue of ‘trade mark without intention to use’ to a certain extent, but is limited to situations where the mark is ‘not for the purpose of use **plus** malicious intent’ (to differentiate it from defensive filing and trade mark portfolio mapping ‘for the purpose of use plus good faith’). The two parts, use and intent, must be viewed together. For this reason, malicious cybersquatting with the ‘purpose of use’, such as the pre-emptive registration of other parties’ trade marks with the intention of counterfeiting and infringement, should not be regulated by Article 4. This kind of malicious registration for the purpose of use is believed to be regulated by other provisions in the Trademark Law (such as Article 30 on prior trade mark rights, Article 32 on other prior rights, Article 13 on WKTMs, Article 10.1 on unhealthy social influence from public rights, Article 44(1) on obtaining registration by other unfair means, and Article 7 on the principle of honesty).

- **Article 7 (not in good faith)**

Article 7 provides an additional means to combat trade marks filed in violation of the ‘principle of honesty’, such as for hoarding purposes that may disturb the normal market order and cause unfair competition. Bad faith, however, is not a requisite condition. Article 7 can be cited or supported at the CTMO examination and opposition stages but is not available as an article for the TRAD to rely on. The TRAD may only rely on Article 44(1) (which includes no reference to Article 7).

- **Articles 15 and 19 (trade mark / business representatives)**

Articles 15 and 19 can be referred to in order to contest bad-faith filings applied for by trade mark agents or associated business representatives. Article 15 requires that the trade mark agents or business representatives be aware of other parties’ marks before applying. By contrast, Article 19 can combat a trade mark agent’s hoarding behaviour when it would be difficult to prove a ‘business relationship’ or that the agent ‘should have known’ of another party’s mark, which is a good supplement to the mechanism.

- **Article 44.1 (by unfair means)**

Article 44(1) refers to ‘obtaining registration by other unfair means’ and is basically used to combat the disruption of the registration process. The CNIPA’s ‘Trademark Examination and Trial Standards’ and the SPC’s ‘Authorization and Confirmation Provisions’ have consistent interpretations of this expression, that is, ‘disturbance other than deceptive means’ to the trade mark registration process, damage to public interests, improper use of public resources or other means to seek improper benefits.

Definitions of bad faith

There is no formal definition or terminology used to explain what a ‘bad-faith trade mark’ is. It can be interpreted as an ‘abnormal trade mark’ applied in violation of the principle of honesty. Trade marks that are copies or imitations of other parties’ brands, or trade marks that violate the public interest, cause improper influence on society, or are registered with no intention to use, can all fall into the category of ‘bad-faith trade marks’.

There are many types of maliciously registered trade marks. According to the current situation of maliciously pre-empting trade mark registration in China and the latest revision to the Trademark Law in November 2019, maliciously registered trade marks mainly take the following forms:

- (1) obtaining trade mark registration by deception or improper means;
- (2) copying, translating and imitating other well-known trade marks;
- (3) trade mark agents and representatives’ rushing to register others’ trade marks without authorisation;
- (4) damage by the registered trade mark to the prior rights of others⁽⁷⁾.

⁽⁷⁾ Shen Ziming: Causes of Malicious Trademark Registration and Suggestions on Legal Regulation, Legal System and Society, 2020 (05): 64-65.

Guidance on determining bad faith was given in the CNIPA's 'Several Provisions for Standardising Application for Trademark Registration' (the **Provisions**)⁽⁸⁾, which became effective in December 2019.

Article 8 of the Provisions sets out criteria for determining when a trade mark has been filed in bad faith. The criteria includes:

- the number and nature of trade marks filed by the applicant (e.g. whether the marks are identical with or similar to other famous brands, trade names or personal names);
- the applicant's industry and business scope compared to the class(es) of goods/services indicated for use; and
- past administrative and judicial decisions where the applicant was found to have engaged in bad-faith filings or infringements of others' trade marks.

The full list of criteria is set out in Annex II. Although generally quite comprehensive and covering a large proportion of cases involving bad-faith registrations in China, these provisions still leave ambiguity as to whether the CTMO will be willing to designate those filings in relatively small numbers as 'abnormal' applications.

Article 10 of the Provisions grants the CTMO the following core powers in dealing with bad-faith registrations.

- It empowers the CTMO to require applicants to provide 'explanations' as well as 'evidence' as part of the application examination process, when the applications are deemed 'abnormal', whilst evidence of use is not required at the time of filing under the current law and practice.
- It also specifies that abnormal applications may be rejected in accordance with Article 30 of the Trademark Law, which grants the CTMO the power to reject applications that do not comply with other provisions of the law.⁹

No additional rules or guidance have yet been published by the CTMO further clarifying the meaning of 'bad faith'.

It is difficult to set a fixed definition for 'bad-faith trade mark' for a few reasons. 'Bad faith' is an ethical standard, not a legal description. Moreover, the term is unable to adequately cover all types of 'bad faith', as 'bad faith' under the trade mark law may 'evolve' along with changes in the commercial and legal environment, and the language, therefore, needs to be flexible enough to cover new forms of bad faith once they emerge.

At the court level, the Beijing High People's Court's Trial Guidelines for Administrative Cases Involving the Granting and Verification of Trademark Rights (the **Trial Guidelines**)⁽⁹⁾, summarised from court precedents, have proven helpful in clarifying the meaning of bad faith by describing situations in which inferences of bad faith may be made. They explicitly provide that bad faith will be inferred if the applicant is in the same industry as the owner of the prior mark, if they had communication about trade mark licences, or if the applicant has committed any infringement, when the trade marks are highly similar. The Trial Guidelines provide guidance for the CNIPA's examination of bad-faith trade marks in interpreting and applying laws.

⁽⁸⁾ State Administration for Market Regulation: Several Provisions for Standardising Application for Trademark Registration, 01/12/2019 [国家市场监督管理总局, 规范商标申请注册行为若干规定, 2019年12月1日生效] http://gkml.samr.gov.cn/nsjg/fqs/201910/t20191016_307410.html.

⁽⁹⁾ Beijing High People's Court: Beijing High People's Court's Trial Guidelines for Administrative Cases Involving the Granting and Verification of Trademark Rights, 24 April 2019 [北京市高级人民法院, 北京市高级人民法院 商标授权确权行政案件审理指南, 2019.04.24 发布] <http://bjgy.chinacourt.gov.cn/article/detail/2019/04/id/3850624.shtml>.

Article 15(14) of the Trial Guidelines sets out factors for recognition of bad faith. To judge whether the disputed trade mark applicant shows subjective malice, the following factors may be comprehensively considered:

- a. the cited trade mark has relatively strong distinctiveness and popularity;
- b. the business address of the applicant of the disputed trade mark is close to that of the holder of the cited trade mark;
- c. the applicant of the disputed trade mark and the holder of the cited trade mark are in the same industry; and
- d. the disputed trade mark is basically identical to the cited trade mark, and the applicant of the disputed trade mark does not provide a reasonable explanation.

During an initial drafting and public consultation phase, the CNIPA shared a list of typical bad-faith trade mark applications that should be covered by the law. Article 3, which was unfortunately deleted from the final set of Certain Provisions for Regulating Applications for Trade Mark Registration (the 'Draft Provisions') in February 2019, stated that [...] actions of improperly applying for trade mark registration mentioned in these Provisions refer to:

- a. applying for registration of a trade mark that is familiar to the relevant public, and passing off others' business reputation;
- b. pre-emptively registering a trade mark that has been used by others and that has obtained certain reputation, and improperly extracting others' business reputation;
- c. knowing or should have been aware of the existence of other prior rights, but still pre-emptively applying for registration of the identical or similar trade mark;
- d. repeatedly filing applications for the same mark, which has obvious improper purposes;
- e. applying for a large number of trade mark applications within a short period of time that obviously exceeds the reasonable limit;
- f. applying for trade mark registration without genuine intention of use or without the actual need to obtain the exclusive trade mark right on goods or services;
- g. other actions that are in violation of the principle of good faith, infringe upon others' legitimate rights and interests, or disrupt the market order;
- h. helping others or trade mark agencies conducting trade mark applications of the types mentioned in items (1) to (7) of this Provision.

This list of typical types of bad-faith trade mark applications provided for in the draft provision appears to have been removed from the final version in order to keep the provision vague and less restrictive, thus leaving further room for interpretation.

2.3.4 Other relevant Articles

Article 30 (general protection / similarity)

Where a trade mark applying for registration does not conform with the relevant provisions of the law, or it is identical with or similar to the trade mark of another person that has been registered or preliminarily approved for the same or similar goods, the Trademark Office will refuse the application without announcement.

The first half of Article 30 is a general protection clause. The trade mark application should conform with the relevant provisions of the law. The latter part of Article 30 is a relative ground for refusal. The trade mark application that is identical or similar to a prior trade mark registered by others for the same or similar goods or services must be rejected by the CTMO. However, only the CTMO uses the first half of Article 30 to recognise bad faith, whereas the TRAD uses other Articles to recognise bad faith.

2.4. Actions taken by the CNIPA to combat bad faith

In the past 3 years, a number of developments have been seen in terms of the actions of the CNIPA that may provide encouragement for brand owners confronting BFTM issues in China. The following have been announced or observed.

The CNIPA's examination of BFTMs and *ex officio* rejections

Evidence indicates that the CTMO has been more proactive in rejecting bad-faith trade mark applications *ex officio*. In May 2021, Mr He Zhimin, deputy director of the CNIPA, announced that the CTMO had rejected 150 000 trade marks *ex officio* in the past 3 years because they were BFTMs or filed for hoarding purposes⁽¹⁰⁾. This increase in *ex officio* actions seems to have been driven by the amendment that empowers the CTMO to require applicants to provide 'explanations' as well as 'evidence' as part of the application examination process to tackle BFTMs. This is similar to what the TRAD would expect to see from an applicant in a refusal in order to approve the registration.

The CTMO receiving and taking account of complaint letters

The CTMO appears to be becoming more receptive to brand owners drawing attention to bad-faith applications at the preliminary examination stage. For example, the CTMO will now receive complaint letters from brand owners and look into the reported bad-faith filing. Although an unofficial process, it can produce positive results. For example, the CTMO is now more likely to reject the later refiling of the same BFTM on the past recognised prior right and/or bad faith if brought to its attention early on in the examination stage. Whereas most practitioners based in China that were spoken to during the study are aware of this positive development, brand owners based in Europe are less likely to be aware of, or have made use of, this helpful tool.

The CTMO blacklist

According to Mr He, the CTMO has established a 'blacklist' system of bad-faith actors. Up to 1 000 bad-faith applicants have already been added to it⁽¹¹⁾.

It is understood that there is an unofficial blacklist of bad-faith actors and agents, internal to the CTMO and the TRAD. Generally speaking, if one party is determined in an effective CTMO, TRAD, or court decision to have filed an application in bad faith, the record will be added to the CTMO's database. Later, if the same party files the application for the same trade mark in the same class, the examiner will be alerted to the previous records of this party. In addition, if the original brand

⁽¹⁰⁾ CNIPA: 'More Than 150 000 Applications for Trademark Registrations Have Been Rejected for Bad Faith Registration and Holding in the Past Three Years'. *Financial World*.

<https://baijiahao.baidu.com/s?id=1699172807977874132&wfr=spider&for=pc> (accessed on 8 May 2021).

⁽¹¹⁾ CNIPA: 'More Than 150 000 Applications for Trademark Registrations Have Been Rejected for Bad Faith Registration and Holding in the Past Three Years'. *Financial World*.

<https://baijiahao.baidu.com/s?id=1699172807977874132&wfr=spider&for=pc> (accessed on 29 June 2021).

owner puts the CTMO on notice of such an effective decision by sending a complaint letter with a copy or copies of the decision(s), the CTMO will also add a reminder to their internal system. It is understood that it remains at the examiners' discretion as to whether to take the records into consideration when examining subsequent application(s).

The CNIPA's ongoing campaign against BFTMs

In a notice issued on 9 November 2020, the CNIPA announced that it had organised a comprehensive review of the 47 000 trade mark agencies registered with the CNIPA under the 'Blue Sky' intellectual property industry rectification program⁽¹²⁾. Through self-examination, the top violation of trade mark law and regulation by trade mark agencies was the malicious squatting and hoarding of trade marks with 858 cases (45 % of all violations); and the forging or altering of legal documents, seals and signatures at 488 cases (26 % of the total).

During the second phase of the 'Blue Sky' program, 23 000 of the 47 000 registered trade mark agencies nationwide completed a self-examination and committed to abide by the law.

On 15 March 2021, the CNIPA issued a notice on the in-depth development of the 'Blue Sky' special rectification action. In the notice, under the current working mechanism, the CNIPA will promptly publicise or centrally collate information related to trade mark agencies suspected of bad-faith activity, hoarding trade marks, and adversely affecting transfers. It will combine information such as the average monthly agency volume and utilise data analysis to establish a list of trade mark agencies to focus on. If bad-faith trade mark registration or hoarding through self-registered companies or other joint entities is found, the cases will be transferred to their respective regions for investigation via the local Administration for Market Regulation (the AMR, formerly known as the Administration of Industry and Commerce, or AIC).

On 24 March 2021, the CNIPA issued the notice 'Special Action Plan to Combat Malicious Squatting of Trademarks'. The notice lists in-depth measures to further intensify the crackdown in the 'Blue Sky' special rectification action. It also sets out very detailed scenarios for bad-faith trade mark recognition.

Since the announcement of 'Blue Sky', the CNIPA has made other commitments to improve the bad-faith trade mark situation.

- On 24 March 2021, a special campaign led by the CNIPA to combat malicious squatting of trade marks was launched to severely crack down on malicious squatting that seeks improper interests, disrupts the order of trade mark registration management, and causes greater adverse social impact. The campaign focused on taking actions against bad-faith activities that may violate the principle of honesty, disturb public order, harm the market order and cause unhealthy society influences⁽¹³⁾.
- On the same day, 24 March 2021, the CNIPA also issued the 'Special Action Plan to Combat Malicious Squatting of Trademarks' ('Plan') along with the campaign⁽¹⁴⁾. The Plan lists in-depth measures to further intensify the crackdown in the 'Blue Sky' special rectification action. It also sets out very detailed scenarios for bad-faith trade mark recognition (see Annex II).

⁽¹²⁾ Organization of the National Trademark Agency Self-examination, Rectification and Credit Commitments – Intellectual Property Agency Industry 'Blue Sky' Special Corrective Action. China National Intellectual Property Administration. https://www.cnipa.gov.cn/art/2020/11/9/art_53_154698.html (accessed on 30 June 2021).

⁽¹³⁾ 'Notice of the State Intellectual Property Office on the issuance of the Special Action Programme to Combat Malicious Trademark Pre-emption'. China National Intellectual Property Administration https://www.cnipa.gov.cn/art/2021/3/24/art_2073_158225.html (accessed on 30 June 2021).

⁽¹⁴⁾ 'Announcement for Special Project against Bad Faith Registration, Trademark Office of China National Intellectual Property Administration' http://www.cta.org.cn/ywdt/202103/t20210325_51394.html (accessed on 29 June 2021).

- On 20 April 2021, the China Communist Party Group of the CNIPA announced that it had published an overall inspection report and established some targets to improve the quality of intellectual property, including the need to combat low quality trade marks⁽¹⁵⁾.

2.5. How the changes are working in practice: introductory comments

This study seeks to assess how the changes introduced by the Fourth Amendment are impacting on the ability of trade mark owners / original brand owners to protect their rights in China, in particular against bad-faith actors. In assessing the impact, an important point should be made. Bad faith is a complex problem and the whole ecosystem is constantly developing. It is not only the primary legislation that may improve the situation regarding bad faith. As seen above, related regulations or provisions such as guidance on the meaning of bad faith or developing practice such as the acceptance of complaint letters during preliminary examination, or special campaigns to address particular issues, or, even, external factors such as greater awareness and extra vigilance by original brand owners themselves, can all improve the situation. Although some of the analysis is a more direct comparison of 'before' and 'after' (e.g. the analysis of the TRAD decisions relating to claims of bad faith in 2018 compared to similar decisions in 2020), much of the stakeholder perception will be informed by the development of the system as a whole and their personal experience of it, rather than by, for example, the express introduction of the notion of bad faith into the law in Article 4.

In this context, since the creation of the CNIPA (involving the change of name of the SIPO to the CNIPA in August 2018 and the subsequent incorporation of the CTMO and the TRAD into the CNIPA in April 2019, see Annex III for more information), the CNIPA has been much more public in terms of announcements of their actions and campaigns to combat bad faith (amongst other things). This publicity may lead to improved perceptions of the system as well as underlying improvements to the system itself.

2.6. How the changes are working in practice: stakeholder perceptions

In this section, the responses to the questionnaires by practitioners and the results of the interviews undertaken with trade mark agents, lawyers and in-house counsel are reviewed first to understand the perception and feeling amongst these key stakeholders as to the impact of the changes in the law. The concerns raised by European businesses through recent EUCCC Position Papers are also highlighted, as well as public comments issued by the EU Delegation and the EU Commission.

These are then compared with the results of the case law analysis to understand how the new rules are being applied in practice.

2.6.1 The practitioner questionnaire results

The full results of the questionnaire are set out in Annex IV. A total of 64 private practice professionals and in-house trade mark professionals (together described here as 'practitioners') responded, with the majority (61 %) working for organisations headquartered in China, and 30 % working for organisations headquartered in Europe (including the UK).

A total of 66 % of the respondents worked for IP/Legal Service Providers. Positions held by the practitioners were mainly Trade mark Specialist / Agent / Lawyer (66 %) or IP/Legal Counsel (27 %).

⁽¹⁵⁾ 'Announcement from the China Communist Party Group of CNIPA on the Fifth Round Inspection and Improvement Exhibition'. Central Commission for Discipline Inspection
<https://baijiahao.baidu.com/s?id=1697563263467853463&wfr=spider&for=pc> (accessed on 29 June 2021).

Overall, practitioners were positive about the impact that the Fourth Amendment to the Trademark Law has had in dealing with bad-faith trade marks in China, with the vast majority expressing positive (61 %) or very positive (28 %) feedback. Interestingly, practitioners based in China were more likely to provide positive / very positive feedback (97 %) v practitioners based outside of China (76 %).

In terms of adding bad faith as a ground for refusal the following views were expressed.

- The new rules to **support examination of trade mark applications by the CTMO** and the rejection of those filed in bad faith are effective (70 %) or very effective (5 %).
- The new rules to **support oppositions before the CTMO** against trade marks believed to be filed in bad faith are effective (64 %) or very effective (11 %).
- The new rules to **support invalidations before the TRAD** against trade marks believed to be filed in bad faith are effective (66 %) or very effective (19 %).

This appears to show increasing confidence in all levels of the trade mark prosecution process, especially with the TRAD’s ability to invalidate marks, which received the highest level of confidence.

Although 70 % of practitioners agree / strongly agree that the **CTMO, the TRAD and the Beijing IP Court are applying clear criteria** to the assessment of whether a trade mark was filed in bad faith, only 36 % agree / strongly agree that the **criteria is being applied consistently** by all three bodies, with 22 % disagreeing / strongly disagreeing.

The key criteria for determining whether a mark is applied for in bad faith was ranked as follows:

A history of bad-faith applications or bad-faith actions in the market	14 %
The use of the mark is intended to cause confusion as to origin of the goods and to divert traffic away from the original brand owner	14 %
The overall number of applications made by the applicant and/or related applicants	13 %
The similarity of the mark to existing registered marks	13 %
The use of the mark is intended to interfere with an existing brand owner (e.g., by blocking legitimate exports at Customs, by being used to take down listings of legitimate goods from e-commerce platforms or by being the basis for enforcement in the market)	13 %
Demands for unreasonable amounts of money to transfer the mark to the original brand owner	12 %
The repeated filing of the same mark in the same or related class	10 %
Demands for a commercial relationship with the original brand owner	9 %
Other factors	2 %

2.6.2 Interview results

A series of interviews with trade mark experts from a variety of law firms, trade mark agencies and multinational companies based in China and overseas were conducted (see Annex V for full details).

Overall, the sentiment from the interviewees was positive. It was felt that the Fourth Amendment to the Trademark Law sent a very strong, clear message to bad-faith actors, and would improve awareness and the better use and function of trade marks. In particular, interviewees were pleased to hear that the CTMO is willing to consider unofficial complaint letters submitted during the application stage.

Although most interviewees expect to see more victories in the future based on the bad-faith amendments, they had not seen any obvious changes to oppositions and invalidation success rates since the changes came into effect. Many expressed ongoing concern with a lack of consistency of

CTMO application and refusal decisions, as well as the experience of trade mark examiners who are still unable or unwilling to identify and acknowledge obvious bad-faith applications. One interviewee would like the CNIPA to release detailed implementation rules and regulations to enable the circumstances under which the examiner raised questions and issued examination opinions to be seen.

In addition, Paul Ranjard of Wan Hui Da noted that although the number of applications has increased year on year, the number of marks actually registered has decreased. This means it is becoming difficult to obtain and maintain rights. He believes that examiners are becoming more careful as a result of the amendments. He also noted that invalidation rates have increased between 2020 and 2021.

The TRAD is considered to be more sophisticated than the CTMO in its assessment of cases, and to provide a more effective forum to resolve matters.

All interviewees discussed the need for greater penalties and deterrents. It was felt that trade mark hoarding is based on a calculation by bad-faith actors and that if there is no risk or financial cost imposed on the bad-faith actor, then they are unlikely to stop.

2.6.3 EUCCC Position Paper | EU Delegation and EU Commission review

A review of position papers from the IPR Working Group of the EUCCC before and after the Fourth Amendment came into effect, as well as a review of 2018 and 2020 comments of the EU Delegation and the EU Commission respectively, acknowledge the progress the amendments have made in respect to bad-faith registrations, which has been strengthened, although it continues to be one of their main ongoing concerns.

Many of the recommendations made before the Fourth Amendment were introduced were not incorporated into the final law, and previous problems and challenges that were identified still remain. A long-list of recommended changes and improvements have been suggested and are presented and discussed later in the report. Annex VI includes the full text of the different comments and recommendations provided by European businesses and the EU Delegation.

2.6.4 Case law review

Introductory comments

The TRAD first started publishing decisions online in late 2016. That service continued until October 2020 when the ability to access decisions online ceased to be available. From October 2020, the service has generally not been available (according to intermittent testing). Since around April 2021, new or recent decisions appeared to be available again, although all previously published decisions were no longer available. These changes do not seem to have been accompanied by any official announcements. As of 17 June 2021, there were approximately 22 000 decisions available on the TRAD website (<http://spw.sbj.cnipa.gov.cn/>), dated between 13 May 2021 and 16 June 2021.

TRAD case law analysis

To compare changes in the TRAD's approach against bad-faith applications, decisions issued by the TRAD during comparable calendar periods before and after the introduction of the Fourth Amendment in April 2019 were obtained. Specifically, for practices under the Third Amendment, decisions were obtained issued by the TRAD between July and September 2018; and for practices under the Fourth Amendment, decisions were obtained issued by the TRAD between July and September 2020. For the reasons given above, this was the latest period available for comparison.

TRAD cases are decided under the law in force at the time of the original application. All cases from 2018 were considered under the Third Amendment. Given the time for a matter to proceed to the TRAD, most of the cases from 2020 would also have been considered under the Third Amendment. This may reduce the extent to which it is possible to make conclusions as to the impact of the Fourth Amendment **in of itself** but experience shows that, even if cases are strictly decided under an older law (in this case, the Third Amendment), the TRAD will often take into account the **spirit** of any new law in place at the time they consider the matter (in this case, the Fourth Amendment). Any conclusions should at least be directionally meaningful.

The approach

Copies of all published TRAD decisions made during those two periods were obtained from a third party service provider. All refusal appeal, opposition appeal and invalidation cases were analysed to determine those in which a claim of bad faith had been made. That analysis revealed a total of 2 547 cases from 2018 and 8 684 from 2020. All those decisions were further analysed to determine whether the claim of bad faith had been supported.

Specifically, the approach was further developed on the basis of the following considerations.

- In a refusal appeal, a claim of bad faith means a claim by the trade mark applicant that the cited mark blocking the application was filed in bad faith. When considering a refusal appeal, the TRAD is not empowered to determine whether the cited mark was filed in bad faith. However, these decisions were analysed to determine whether an application for suspension of the refusal appeal (on the basis that the cited mark was filed in bad faith and the trade mark applicant is taking action against that mark, but that action is still pending) was accepted.
- In an opposition appeal, this necessarily involves an appeal by the applicant against the successful opposition by a third party opponent (appeals by opponents have not been possible since the Third Amendment in 2013). Opposition appeals were analysed where the CTMO had determined that the opposition was successful on the basis of a claim by the opponent that the application was made in bad faith. The TRAD then re-examined whether that claim of bad faith was correct and whether the opposition should be maintained.
- In an invalidation, the claim of bad faith was made by the applicant seeking to invalidate the registered mark. The TRAD examined the case to determine whether the claim of bad faith was viable.

The analysis

The growth in the number of TRAD decisions involving a claim of bad faith during the respective July to September periods in 2018 and 2020 – from 2 547 to 8 684, a factor of 3.40 – in itself is significant. This growth may have come about for several reasons.

- There was an underlying increase in all trade mark applications, from 7.37 million in 2018 to 9.11 million in 2020, a factor of 1.23. On a statistical basis, that would imply an expected 3 133 similar invalidations in 2020.

- There was a general increase in cases before the TRAD involving a claim of bad faith, in particular a growth in invalidations (which grew by a factor of 3.54 between 2018 and 2020).

2018		
All TRAD decisions involving claims of BF		
2 547		
Refusal appeals	Opposition appeals	Invalidations
115	136	2 296
refusal upheld (i.e. finding of BF by the CTMO maintained) (application rejected)	opposition upheld (i.e. finding of BF by the CTMO maintained) (application rejected)	invalidation supported (i.e. claim of BF by party filing invalidation accepted) (registration cancelled)
106	102	1 597
Rate	Rate	Rate
92 %	75 %	70 %

2020		
All TRAD decisions involving claims of BF		
8 684		
Growth rate from 2018: 3.41		
Refusal appeals	Opposition appeals	Invalidations
325	240	8 118
Growth rate from 2018: 2.83	Growth rate from 2018: 1.76	Growth rate from 2018: 3.54
refusal upheld (i.e. finding of BF by the CTMO maintained) (application rejected)	opposition upheld (i.e. finding of BF by the CTMO maintained) (application rejected)	invalidation supported (i.e. claim of BF by party filing invalidation accepted) (registration cancelled)
300	202	5 646
Rate	Rate	Rate
92 %	84 %	70 %

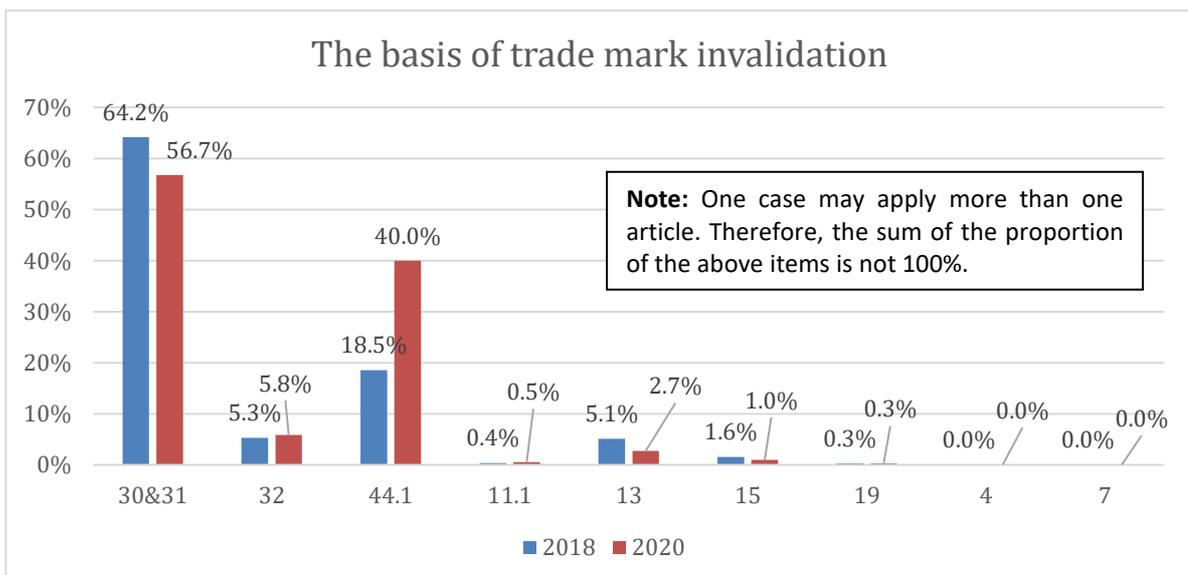
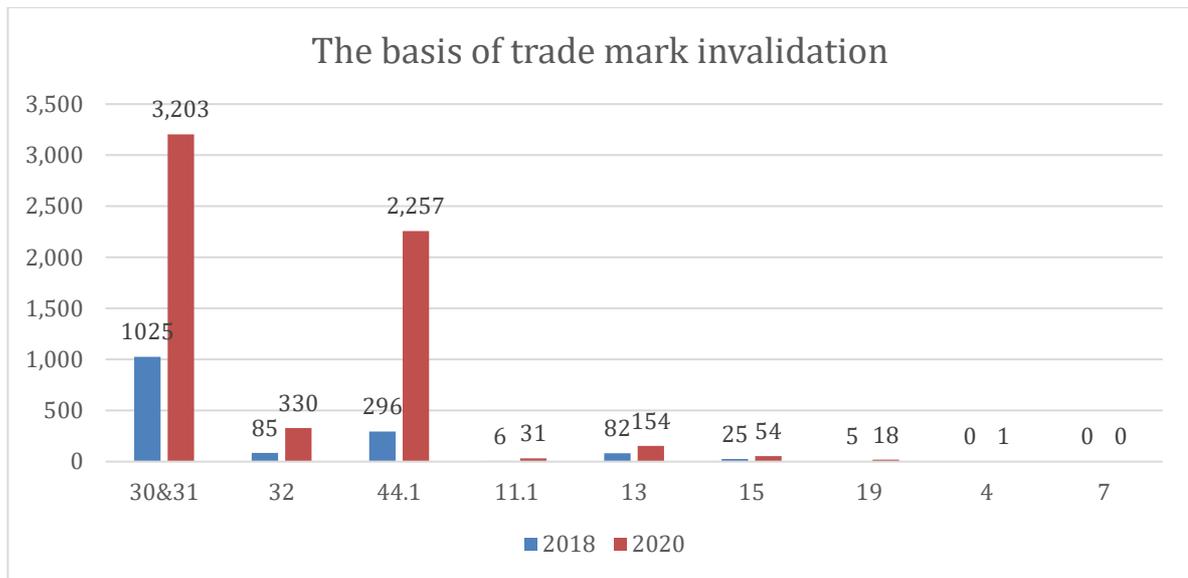
Key conclusions

From the data analysis some high level conclusions can be drawn.

- Invalidations filed making a claim of bad faith have grown significantly.
 - This could be because of greater confidence in the law and the system. Although most invalidations would have been considered under the Third Amendment, the Fourth Amendment were most likely to have been passed and very likely to have been in force at the time the invalidations were filed.
 - This could also have been because of a large increase in the amount of bad-faith activity; this is very difficult to measure, but it would seem unlikely to account for that degree of growth.
- The proportion of invalidations in which a claim of bad faith is made that are supported by the TRAD has remained the same at 70 %. The actual basis on which the TRAD ultimately made its determination varies and in many cases specific bad-faith related Articles in the law, such as Article 4, are not relied upon. Therefore, it appears that while the TRAD is taking the claims

of bad faith into account, there is a reluctance to rely on specific bad-faith Articles and instead apply the more general provisions, such as Article 30, more flexibly.

- The most significant change relates to the treatment of opposition appeals. In 2018, in 25 % of opposition appeals, the TRAD rejected findings of bad faith made by the CTMO, thereby rejecting the opposition and allowing the application to proceed to registration. In 2020, that rate reduced to 16 %, indicating that the TRAD is more regularly recognising bad faith.
- In 2018, 11.2 % (258 out of 2 296) of the trade mark invalidation applicants were EU companies, compared to 6.7 % (540 out of 8 118) in 2020. In 2018, 0.3 % (6 out of 2 296) of the respondents were EU companies, compared to 0.3 % (24 out of 8 118) in 2020.
- In 2018 and 2020, disputed trade marks were successfully invalidated based on the following Articles of Trademark Law⁽¹⁶⁾:



⁽¹⁶⁾ Only the substantive Articles in the TRAD decisions were analysed. If the decisions of the TRAD were based solely on the procedural law, the basis is counted as blank.

- Article 4 was rarely used as a basis for trade mark invalidation. Two explanations are provided.
 - The law came into effect in November 2019. In order for the new law to be applied to the invalidation of trade marks, the trade marks should have been registered after 1 November 2020. The decisions that were selected were issued between July and September 2020. The trade marks involved were mainly registered in early 2019.
 - Article 4 is mainly concerned with tackling trade mark hoarding issues rather than individual bad-faith trade mark issues. Article 4 is used comparatively widely at the CTMO stage in refusal.

The percentage of invalidation cases using Article 44.1 increased. Article 44.1 was cited in 18.53 % of invalidation cases in 2018 and 39.98 % in 2020.

Data for the Refusal Appeals

- CTMO and TRAD decisions between July and September 2018 and July and September 2020 were selected, and decisions were screened out that contained 'malicious / bad faith' or '(it is) hard to say (the application is filed in) good faith' in the main analysis part (except the facts and conclusion sections). 115 refusal appeal decisions were identified in 2018 and 325 in 2020.
- Among the 115 refusal appeals in 2018, 87 cases (75.7 % of the total) involved applicants taking actions against citations in order to remove obstacles to registration. In 57 of these cases (49.6 % of the total number of refusal appeals), the applicants took actions against the citations before they filed the refusal appeals to the TRAD.
- In 71 cases (61.7 % of all refusal appeals) the applicant requested the TRAD to suspend the appeal pending the examination (of opposition / invalidation / non-use cancellation) of the citation(s). The TRAD rejected all requests for suspension based on the reason that 'whether the citation(s) is filed in bad faith is beyond the examination scope of the refusal appeal'. The implied meaning is that it is unnecessary to suspend the appeal only to wait for the results of an unrelated case.
- Of the 71 cases that requested a suspension in 2018, 67 appeals were lost and 4 were approved (on partial goods/services because the TRAD believed that the trade mark applied for was not similar with the citation or the citation was cancelled when the TRAD examined the refusal appeal cases). As a result, the refusal of a suspension request (a request to stay proceedings) meant that overcoming a refusal is extremely unlikely.
- In 2020, 163 cases (50 % of the total 325 refusal appeals) involved applicants taking actions against citations before filing the refusal appeal. 131 cases (40 % of the total cases) involved applicants taking action before filing the refusal appeals to the TRAD.
- 43.1 % of the appeal requests in 2020 requested a suspension of the appeal pending the examination of the (opposition / invalidation / non-use cancellation) of the citation(s). The TRAD rejected all requests for suspension based on the same reason, namely that 'whether the citation(s) is filed in bad faith is beyond the examination scope of the refusal appeal'.
- The overall percentage for requesting a suspension fell among refusal cases in 2020, primarily because 88 of the cases were rejected on the basis of hoarding. As there is no citation in a hoarding case, it is unnecessary for the applicant to request suspension pending the examination of the citation(s).

- The average examination time for a refusal appeal in 2018 was 242 days; the duration in 2020 was shortened to 221 days.
- It appears that the TRAD is not willing to suspend refusal appeals even in those cases that involve bad faith. Without a stay in proceedings the chance for applicants to overcome a refusal is extremely low.

	2018	2020
Total	115	325
Request for suspension	71 (61.7 %)	140 (43.1 %)
The reason for the suspension request is that the cited trade mark was filed in bad faith	71	140
TRAD approved the request for suspension	0	0
TRAD's interpretation on the relationship between the bad-faith citation trade mark and the refusal appeal	Beyond the scope of this case: 71	Beyond the scope of this case: 139 Confirming bad faith: 1
Outcome	All refusal: 67 Partial refusal: 4	All refusal: 123 Partial refusal: 17
The reason of partial refusal	Non-similar: 2 Citation(s) removed: 2	Non-similar: 6 Citation(s) removed: 11

2.7 Conclusions

2.7.1 Success or release of burden on trade mark brand owners' side

- Trade mark owners have greater access to favourable decisions by the CTMO, the TRAD and the People's Courts. Based on the analysis of the decisions for invalidation issued by the TRAD in 2018 and 2020, the overall chances of success for invalidating the bad-faith registration remain the same (i.e. 70 %). The overall feedback from the public and the practitioners spoken to is that after the amendments to the law, brand owners have enjoyed a higher chance of success in the invalidations. This may be due to the CNIPA's steps to promote the new regulations and laws aimed at tackling bad-faith trade marks issues, strengthening the public's confidence in this issue. For example, since 2018, the CTMO has regularly hosted press conferences on 26 April (World IP Day) in which it releases selected Classic Cases⁽¹⁷⁾. This has drawn great attention from the public and shown the CTMO's determination to solve the problems caused by bad-faith applications.
- Based on the analysis, it appears that the TRAD has almost closed the door completely to the approval of a suspension request in a refusal appeal, even if the citations appear to have been filed in bad faith. In 70 % of the 2018 cases and 80 % of the 2020 cases, the applicant took action against the citation before filing the refusal appeal. The TRAD held in all cases that whether the citation was filed in bad faith is beyond the examination of the refusal appeal. The average examination period for a refusal appeal was 241.9 days in 2018 and 221 days in 2020.

⁽¹⁷⁾ Typical Cases of Trademark Review in 2018'. Trademark Office of China National Intellectual Property Administration http://sbj.cnipa.gov.cn/ztbd/gjxs/zyqbh/201904/t20190429_293270.html.

'Typical Cases of Trademark Review in 2019'. Trademark Office of China National Intellectual Property Administration https://www.cnipa.gov.cn/art/2020/4/26/art_587_44024.html.

'Typical Cases of Trademark Review in 2020'. Trademark Office of China National Intellectual Property Administration http://sbj.cnipa.gov.cn/qzdt/202104/t20210428_328330.html.

It appears that the TRAD is not willing or able to wait for the result of the opposition / invalidation / non-use cancellation involving the citation, and is more willing to issue an unfavourable decision to the refusal appeal as long as the citation is still valid when they examine the refusal appeal case. This causes a serious burden for brand owners since it requires them to move to the next stage (i.e. the administrative litigation stage) to keep their application alive, and wait for the result of the action against the citation. This wastes time and resources, both for the brand owners and the courts.

- The survey conducted by Rouse in May 2021 supports these positive developments. 89 % of the participants believe that the impact of the Fourth Amendment to the China Trademark Law is positive / very positive and 75 % of the participants believe that the newly added Articles supporting the examination of the trade mark applications are effective / very effective.
- Since the end of 2016, the TRAD has started to publish decisions, making it easier to gather evidence of previous BF applicants, which can be used to help support administrative and/or civil litigation disputes involving BFTMs. It seems that the publishing practice has changed recently and that not all historic decisions are available.
- Experience shows that without prior rights in China, or evidence to show the relationship of the BFTM applicant to the brand owner's mark before the application, it was very hard for trade mark owners to win against pre-emptively filed BFTMs before the amendments were introduced. The threshold for evidence required to take the dispute to the TRAD or even the courts was also high and comparable to the amount of evidence needed for WKTM.
- Experience shows that the amendments provide a clearer definition of bad faith. As a result, brand owners are able to identify and demonstrate other elements of bad faith, thereby reducing the heavy burden of evidence collection and improving chances of success against BFTMs. The amendments mean that brand owners are also finding success much earlier on in the process, thereby reducing the need to go to the TRAD or the court, saving both the brand owner and the CNIPA time and money previously spent on unnecessary administrative appeals and examinations.

3. Analysis of how transformation of trade marks to resemble other trade marks is being tackled by the Chinese trade mark system

3.1 Introduction

This section analyses how the transformation of trade marks to resemble other registered trade marks is being tackled by the Chinese trade mark system – including how the TRAD and the IP Courts apply the rules.

It analyses the impact that the new provisions on bad faith might have on the transformation of trade marks to resemble well known ones.

3.2 What is transformation of marks?

There is no clear definition of transformation of marks in the law, nor has academia been able to agree on a clear definition for the meaning of this concept. The determination of transformation is therefore ultimately subjective. For the purpose of this report, transformed marks are those trade marks (alone or combined together) filed in bad faith that imitate the visual appearance and/or pronunciation of others' brands by using different letters/characters or letters/characters in a different order **in a deliberate attempt to hide the bad faith of the applicant** and thereby avoid the scrutiny of the examiner.

As one type of BFTM that is hard to tackle, transformation of marks is not new to original brand owners nor to the authorities. In the CTMO's presentation at an IP Key event in 2019⁽¹⁸⁾, the CTMO shared a large number of examples of transformation of marks, which were identified by the CTMO and/or brand owners and rejected during the examination stage. Although the CTMO generally considers transformation of marks as BFTMs, a considerable number of transformed marks still slip through the examination stage, primarily due to the difficulties for the examiner and/or the original brand owners in identifying the marks that these BFTMs are imitating.

The potential damage and commercial impact on the original brand owners' business is likely to be material if these marks are put to use, since the transformed marks are normally designed to be confusingly similar to those of the original brand owners' marks in terms of visual appearance and/or pronunciation and, as examined below, often designate identical/similar goods and services.

In this report, seven common types of transformation are reviewed, as shown by the analysis of the examples provided by the CTMO in the 2019 event with IP Key and the analysis of the CTMO and the TRAD decisions:

1. copying the design or styling of a brand but with completely different letters;
2. copying the design or styling of a brand but with similar or similar looking letters/characters;
3. copying a brand but using the letters in reverse order;
4. a Chinese phonetic or semantic equivalent of Latin characters, and vice versa;
5. a combination of a mark with other words/letters to hide the bad faith;
6. copying another's mark by using similarly pronounced letters;

⁽¹⁸⁾ May 2019 IP Key workshop with CNIPA on trade marks. Please find PowerPoint presentations on IP Key website <https://ipkey.eu/en/china/activities/exchange-china-trademark-law> (last accessed on 30 June 2021).

7. a brand split into two or three parts, applied for separately, but that can be used together to resemble the brand.

3.3 What does the problem of transformed marks look like in practice?

Unlike typical blatant BFTMs, transformed marks are intended to be difficult for the authorities to identify during the examination stage, although they are usually visually and/or phonetically confusingly similar to marks of original brand owners once the imitated mark has been identified. This kind of BFTM has been on the authorities' radar for many years. The authorities have published sample cases to show its approach to countering BFTMs (see the propaganda of the CTMO examination practice in fighting against bad-faith trade mark applications after the amendments to the China Trademark Law in 2019⁽¹⁹⁾), shared example cases with foreign IP organisations⁽²⁰⁾, and selected and promoted their top 10/20 sample cases, published on IP Day, in recent years⁽²¹⁾. However, to date, transformation of marks is still a challenging issue to deal with.

To illustrate what the problem of transformed marks looks like, 33 402 opposition and invalidation decisions published by the Chinese authorities involving claims of bad faith were reviewed. A detailed analysis of these cases follows below. Based on the review of the selected decisions and samples provided by the authorities, the following seven typical transformations were observed.

1. Copying the design or styling of a brand but with completely different letters, for example:



⁽¹⁹⁾ 'Combating BFTMs to Help Optimize the Business Environment'. CNIPA held a Seminar in Beijing for Combating Bad-Faith Trademark Registration. Cases in seminar, including examples of transformation of marks, like SAIVISNUC (imitating SAMSUNG) and zgpanasosic (imitating PANASONIC). Trademark Office of China National Intellectual Property Administration. http://sbj.cnipa.gov.cn/gzdt/201912/t20191223_309386.html (accessed on 29 June 2021).

⁽²⁰⁾ 'Exchange in China on Trademark Law'. IP Key website. <https://ipkey.eu/en/china/activities/exchange-china-trademark-law> (accessed on 29 June 2021).

⁽²¹⁾ Sample cases published by Trademark Office of China National Intellectual Property Administration. <http://sbj.cnipa.gov.cn/sbps/index.html> (accessed on 29 June 2021).

2. Copying the design or styling of a brand but with similar or similar-looking letters/characters, for example:

AIZIZOVN (AIZIZOVN)	v	ARROW
IAMES DEAN (IAMFS DFAN)	v	JAMES DEAN
SIERNERIS (SIERNERIS)	v	SIEMENS
SAIVISNUC (SAIVISNUC)	v	SAMSUNG
壳片卑 (Qiao Pian Bei)	v	壳牌 (Qiao Pai).

3. Copying a brand but using the letters in reverse order, for example:

 BARKSTARS (BARKSTARS)	v	 (STARBUCKS)
TNAIG (TNAIG)	v	GIANT (GIANT)
朗格罗 (Lang Ge Luo)	v	罗格朗 (Luo Ge Lang)
ARAZ	v	ZARA
誠敬泊澹 (Cheng Jing Bo Dan)	v	澹泊敬誠 (Dan Bo Jing Cheng).

4. Chinese phonetic or semantic equivalents of Latin characters, and vice versa, for example:

和百瑞
(He Bai Rui)

v

HOLLAND &
BARRETT

贝佐斯
(Bei Zuo Si)

v

BEZOS



v

路虎
(Lu Hu)

牛眼
(Niu Yan)

v

BULLS EYE

5. A combination of a mark with other word/letters to hide the bad faith.

REXGXGRED

v

GXG

CNPHOENIX

v

PHOENIX

UKHOZZ

v

HOUZZ

HKSMC

v

SMC.

6. Copying another's marks by using similarly pronounced letters.

潼仁唐
(Tong Reng Tang)

v

同仁堂
(Tong Reng Tang)

伟佳
(Wei Jia)

v

伟嘉
(Wei Jia)

九木王
(Jiu Mu Wang)

v

九牧王
(Jiu Mu Wang).

7. A brand split into two parts, applied for separately, but that can be used together to resemble the brand.

Note: no transformed marks of this type were located when reviewing the selected opposition and invalidation cases. All the examples below were obtained from the CTMO's presentation at an IP Key event in 2019.

施而 (Shi Er) 寸德 (Cun De)	v	施耐德 (Shi Nai De)
六必居 风味酱 (Liu Feng)(Bi Wei)(Ju Jiang)	v	六必居 (Liu Bi Ju)
壳片卑 (Qiao Pian Bei)	v	壳牌 (Qiao Pai)
美经 (Mei Jing) 孚典 (Fu Dian)	v	美孚 (Mei Fu).

3.4 Market perception of the problem

The results of the questionnaire, the interviews and the review of previous EUCCC and EU Delegation comments and submissions on the transformation of trade marks issues are set out below.

3.4.1 The practitioner questionnaire results

The full results of the practitioner questionnaire are included in Annex IV.

The key question posed was: *What types of transformation of trade mark to resemble other registered trade marks have you experienced in the last five years and how often?*

Type of transformation	Frequently	Occasionally	Infrequently	Never
1. Copying the design or styling of a brand but with completely different letters	42.2 %	32.8 %	17.2 %	7.8 %
2. Copying the design or styling of a brand but with similar or similar looking letters/characters	71.9 %	21.9 %	1.6 %	4.7 %
3. Copying a brand but using the letters in reverse order	20.0 %	29.7 %	31.3 %	18.8 %
4. Chinese phonetic or connotation equivalent of Latin characters, and vice versa ⁽²²⁾	48.9 %	34.9 %	10.9 %	5.2 %
5. A combination of a mark with other words/letters to hide the bad faith	60.9 %	28.1 %	9.4 %	1.6 %
6. Copying other's marks by using similarly pronounced letters ⁽²³⁾ .	N/A	N/A	N/A	N/A
7. A brand split into two or three parts, applied for separately, but that can be used together to resemble the brand.	37.5 %	28.1 %	25.0 %	9.4 %

Practitioners were also asked about the effectiveness of the law. Overall, practitioners were positive with 61 % agreeing that the new rules on bad faith that deal with the transformation of marks to resemble other registered trade marks are effective / very effective.

3.4.2 Interview results

A series of interviews with trade mark experts from a variety of law firms, trade mark agencies and multinational companies based in China and overseas were conducted (see Annex V for full details).

All of the interviewees have encountered situations where bad-faith actors have sought to transform trade marks in order to evade refusal at the application stage. It was felt that the law does not currently cover all forms of bad faith, and that the CTMO is not able to adequately screen for all the different types of transformation and, therefore, bad-faith actors are still able to get around the law and register trade marks in bad faith.

3.4.3 EUCCC Position Paper | EU Delegation review

Certain types of transformation of marks to resemble other trade marks has been a topic of concern for the EUCCC and the EU Delegation for some time.

⁽²²⁾ This was covered by three separate questions in the questionnaire (sub-questions 4, 5 and 6 in question 11).

⁽²³⁾ This specific type was not the subject of the questionnaire.

The main concern, which was not addressed in the Fourth Amendment of the Law, relates to those situations where a registered mark, when modified in actual use, becomes an infringing sign affecting the rights of another trade mark. Current options available to the original brand owner are either to pursue a claim of infringement through the courts, or, to ask the TRAD to invalidate the mark on the basis of Article 49.1, which in the words of the EU Delegation is considered to be 'totally inadapted [sic] and inefficient'.

The EU Delegation and the EUCCC have consistently recommended (both before and after the Fourth Amendment was introduced) a change to the law to allow any person to apply to the CNIPA to cancel or invalidate a registered trade mark if it becomes infringing after transformation.

3.5 Case law review: how do the authorities tackle transformed marks?

3.5.1 Opposition and invalidation decisions review: frequency and types of cases

To understand how the CTMO and the TRAD deal with opposition and invalidation cases involving transformation of marks, and how the laws were applied before and after the amendments of the China Trademark Law in 2019, a total number of 33 402 opposition and invalidation cases published by the CTMO and the TRAD were selected to be reviewed and analysed for this report.

For CTMO opposition cases, all opposition decisions issued between July and September 2020 were filtered, based on a search of the keywords 'bad faith'. This revealed 17 975 decisions, all made and issued after the Fourth Amendment of the China Trademark Law came into force in 2019, since the CTMO only started to publish opposition decisions after January 2020.

For the TRAD invalidation cases, all invalidation decisions issued between July and September 2018, 2019 and 2020 were filtered, based on a search of the keywords 'bad faith'. This revealed 7 071 cases whose decisions were issued between July and September 2018 and July and September 2019, and 8 356 whose decisions were issued between July and September 2020.

The purpose of this selection is to compare the supporting rate and possible difference in application of laws before and after the amendments of the China Trademark Law taking effect in 2019.

Cases involving claims of bad faith	Before amendments (July to September 2018 and 2019)	After amendments (July to September 2020)	TOTAL
Opposition	N/A	17 975	17 975
Invalidation	7 071	8 356	15 427
TOTAL	7 071	26 331	33 402

During the case law review, the following factors were considered to determine transformed marks as per the definition provided in section 3.2.

1. Mark similarity: level of similarities between two parties' marks in terms of visual appearance, letter combination, and pronunciation.
2. Typeface: whether the font or stylisation is copied from original brand owners' marks.
3. Level of distinctiveness and reputation of the original brand owners' marks.
4. Bad-faith elements: in particular whether the applicant/registrant is apparently trying to hide their bad faith intentionally, but also, for example, whether the applicant/registrant is a player in the same/adjacent industry based on the name of the applicant and the goods covered by the concerned mark, or whether the applicant/registrant is engaged in copying and hoarding trade marks.

Based on the review of the 33 402 filtered decisions, 394 cases associated with transformed marks were identified, accounting for 1.2 % of the selected cases.

The analysis of those 394 decisions revealed that a large portion – 74.9 % – of the transformed marks were filed in the original brand owners' core/adjacent classes. The detailed analysis is shown below. This clearly indicates the intention of most bad-faith applicants of transformed marks to evade the normal examination, which should reject a similar mark filed in relation to the same or similar goods/services, in order to obtain a registration that is likely to cause confusion in the market, and therefore likely to cause real impact on original brand owners' commercial operations, if these marks are put into use.

The types of transformation seen

The 394 decisions involved the following percentages of the seven different types of transformation.

Type of transformation	Percentage of each type	Percentage of marks filed in original brand owner's main classes
1. Copying the design or styling of a brand but with completely different letters	7.4 %	62 %
2. Copying the design or styling of a brand but with similar or similar looking letters/characters	32.1 %	77 %
3. Copying a brand but using the letters in reverse order	10.4 %	73.2 %
4. Chinese phonetic or connotation equivalent of Latin characters, and vice versa	6.4 %	72 %
5. A combination of a mark with other words/letters to hide the bad faith	8.1 %	87.5 %
6. Copying other's marks by using similarly pronounced letters	35.6 %	74 %
7. A brand split into two or three parts, applied for separately, but that can be used together to resemble the brand	0%	0%
	TOTAL 100 %	AVERAGE 74.9 %

Type 7 marks

No Type 7 transformed marks were found among the selected cases. This is likely to be because this type of transformed mark is obviously tricky to identify, when only presented with one part of the two or three parts that make the 'whole' mark. With Type 7 marks, the bad faith may only become evident after the marks filed by the bad-faith actor are put together and used together. This type of transformed marks are normally found during an investigation into an applicant's other bad-faith activities (e.g. when an 'infringement' of the original brand owner is found in the market place and it is determined that the marks are being used together).

This appears to be a very effective way of hiding the bad faith from the examiner, and it may make it almost impossible for an original brand owner to identify during regular monitoring of the Trademark Gazette. Comparatively speaking, the CTMO examiners are better placed to identify this type of bad

faith during the substantive review of new trade mark applications because of the search tools available to them. It is assumed that proprietorship searches are an embedded step during examination.

It is difficult to say whether they are in fact lower in numbers, compared to other types.

Comparing the case law analysis with practitioner interviews

Comparing the case law analysis with the practitioner interviews provides some notable differences.

- Type 1: copying the design or styling of a brand but with completely different letters and Type 4: Chinese phonetic or connotation equivalent of Latin characters, and vice versa – are both much more frequently encountered by practitioners than appear in the case law analysis.
- Type 5: a combination of a mark with other words/letters to hide the bad faith is much more commonly seen by practitioners (from the questionnaire) than in case law. In the questionnaire the question was expressed slightly differently as ‘A combination of a mark with an existing brand or registered trade mark’, which is believed to have been interpreted much more broadly by practitioners and would include situations for practitioners where the original brand owners’ mark with which other marks/elements are combined could be very obvious and, therefore, would not constitute a transformation, according to the definition employed in this report. Similarly, in arguing such cases before the authorities, the original brand owner may not raise bad-faith arguments, relying instead on more straightforward similarity.

3.5.2 Opposition and invalidation decision review: substantive outcomes

During the last few years the trade mark authorities have been publishing sample cases to demonstrate their determination to fight against BFTMs. These have been published during China Trademark Festivals, on IP Day, and in meetings with foreign IP organisations. For example, two of the cases concerning transformed marks were published by the CTMO and the TRAD as sample cases of opposition and invalidation in 2017 (the *Santong* invalidation case) and 2020 (‘好待百’ / ‘Hao Dai Bai’ and ‘梦多加喱’ / ‘Meng Duo Jia Li’ opposition cases) respectively. In addition, the CTMO also rejected BFTMs of this type during the examination stage (e.g. **HUAVEI** (resembling ‘HUAWEI’) and  (resembling ‘WEIXIN’)).

Although transformation of marks is not new to authorities, it is still easier for transformed marks to slip through the examination stage due to the limitation of the examination process. During the substantive review stage, CTMO examiners compare the mark applied for with marks existing on the register to determine similarity between marks. Therefore, how prior marks are recorded and indexed in the CTMO system and show up in the examiner’s search result lists affects the examination outcome. Furthermore, a heavy caseload and increasingly shorter periods of time to complete the examination of new applications affects the examination outcome. It will be very challenging for examiners to identify the transformation of BFTMs if they only have a few minutes to complete the examination of a new trade mark application by relying on a list of prior marks selected purely on letter combination, pronunciation and meaning. The bad faith of most transformation marks is not evident on first appearance; that is the intention of the transformation. The lack of sufficient time to compare the marks as filed contributes to the slip-through of such BFTMs without being detected. For instance, the transformed mark *Fanguan* (FANGUAN) does not share similar letter combinations with *Ferragamo* (FERRAGAMO). Therefore, the prior registration for *Ferragamo* is unlikely to appear in the list of confusingly similar prior marks to be compared with in the first instance and *Fanguan* (FANGUAN) will be accepted for registration.

Analysis of supporting rates

The analysis shows the following:

Type of transformation	Supporting rate of oppositions	Supporting rate of invalidations
1. Copying the design or styling of a brand but with completely different letters	77.8 %	80 %
2. Copying the design or styling of a brand but with similar or similar looking letters/characters	64.6 %	78.2 %
3. Copying a brand but using the letters in reverse order	25 %	80.8 %
4. Chinese phonetic or connotation equivalent of Latin characters, and vice versa	62.5 %	94 %
5. A combination of a mark with other words/letters to hide the bad faith	68 %	100 %
6. Copying other's marks by using similarly pronounced letters	48 %	78.9 %
7. A brand split into two or three parts, applied for separately, but that used together to resemble the brand	N/A	N/A
Average supporting rate for all transformed decisions	54.3 %	81.2 %
Average supporting rate for all selected 34 475 decisions	33.9 %	68.1 %

If the transformed marks are located by the original brand owners, and oppositions/invalidations are filed, the supporting rate of these oppositions/invalidations is reasonably good based on the selected cases, being 54.3 % for opposition and 81.2 % for invalidations. It is encouraging that the supporting rate for cases involving transformation of marks falling within Types 1, 2, 4 and 5 are much better than the average supporting rate for all of the selected invalidation cases. Furthermore, the data shows that the TRAD is more willing to support invalidation cases against this kind of BFTMs than the CTMO is to support opposition cases. In addition, the supporting rate of the CTMO for Type 6 is close to the average supporting rate, and the supporting rate for Type 3 is much lower than the average supporting rate, which indicates that the CTMO might not regard or perceive these two types of transformation as types of bad-faith applications.

Analysis of the legal basis for decisions

Article	Legal grounds	Percentage for oppositions	Percentage for invalidations
Article 4.1	Any trade mark application that is filed in bad faith and is not filed for the purpose of use will be rejected.	0 %	0 %
Article 30	A trade mark application that is identical or similar to a prior trade mark registered by others for the same or similar goods or services will be rejected by the CTMO.	92.9 %	61.6 %
Article 44.1	A registered trade mark that is obtained by fraudulent or improper means will be invalidated by the CTMO. Any party is allowed to file invalidation against these marks.	0 %	36.4 %
Article 13.3	A trade mark application that is a replication, imitation or translation of other's well-known trade mark already registered in China for use on non-identical or non-similar goods/services will not be registered if the registration of the trade mark is misleading the public and may cause harm to the interests of the trade mark registrant of the said well-known trade mark.	6.2 %	2.6 %
Other grounds		0.9 %	0.7 %

Note: the sum of the percentage for invalidation cases is over 100 % as the TRAD supported more than one legal ground in its invalidation decisions in some cases.

Article 30 is the most frequently used legal ground among cases that were supported by the CTMO and the TRAD, accounting for 92.9 % for oppositions and 61.6 % for invalidations.

One of the reasons is that most transformed marks (74.9 %) were filed in the brand owner's core and/or adjacent classes, where original brand owners own prior registrations. From the results, and from experience, it can be seen that if the CTMO/TRAD accept the opposition of / invalidate a transformed mark based on Article 30, it normally will not apply other bad-faith related Articles to support the oppositions/invalidations.

However, notably, having favourable decisions from the CTMO/TRAD where the bad faith is clearly identified and explicitly stated is of key importance to original brand owners. Such prior recognition of bad faith will, to some extent, reduce the burden of proof of original brand owners in fighting against the same bad-faith actor in other cases, including both registry enforcement and marketplace enforcement. More importantly, all decisions in relation to oppositions and invalidations are published online⁽²⁴⁾. The published decisions with bad-faith findings will give other brand owners opportunities to identify such bad-faith actors and then take the necessary actions to enforce their IP rights. With more brand owners taking actions against the same bad-faith actors, hopefully, this will draw attention from the CTMO/TRAD, who can then proactively take *ex officio* measures to prevent further deterioration from bad-faith behaviours of the same bad-faith actor.

None of the cases were decided on the basis of Article 4.1 of the revised Trademark Law. Experience shows that the CTMO appears to primarily adopt Article 4.1 to reject abnormal trade mark

⁽²⁴⁾ In recent months, the availability of published decisions online has not been consistent. The TRAD has not been reliably available in particular and different amounts of historic cases have been made available at different times.

applications during the new trade mark examination stage but is reluctant to cite Article 4.1 in opposition cases, which is consistent with the finding of the statistics. The reason for this is not clear. It might be because the revised law is still too new and is not applicable to cases decided prior to the current law. The other reason appears to be that the authorities are still at the exploratory stage in determining how best to apply Article 4.1. That is, it is the authorities' intention not to make Article 4.1 a catch-all clause that could be applied in all types of cases against BFTMs. When there are other Articles that can be applied more properly to tackle specific BFTMs situations, the authorities appear to prefer to adopt the more suitable Articles so that all Articles addressing bad-faith issues can be fully analysed and utilised – this ensures the accurate applications of the current Trade Mark Law and authoritativeness of these applications. Furthermore, the authorities have confirmed⁽²⁵⁾ that in order to support a finding of bad faith under Article 4, both conditions must be met (i.e. that the application was made in bad faith **and** that there is no intention to use). Therefore, the clause is particularly focused on combatting hoarding, rather than, say, transformed marks that the applicant intends to use and/or does use to create confusion in the marketplace from which they may profit.

Compared with the CTMO, the TRAD is clearly more inclined to recognise bad faith in invalidation cases. Around 36.4 % of the invalidation cases were decided based on Article 44.1. Experience shows that the CTMO rarely supports bad-faith claims based on Article 44.1, which is consistent with the finding in the statistics below.

Comparison before and after the amendments

Based on the statistics of the TRAD decisions, the supporting rate of cases involving transformation of marks fell slightly after the amendments of the China Trademark Law in 2019 but is still higher than the average supporting rate of 68.1 % for all the selected cases.

In addition, it seems that the TRAD is more inclined to recognise bad faith based on Article 44.1 after the amendments of the law (an increase from 22 % to 36.8 %).

	Invalidation decisions before the amendments	Invalidation decisions after the amendments
No. of cases involving transformation	91	95
Supporting rate	86.8 %	75.8 %
Percentage of cases where bad faith was recognised (Article 44.1, not Article 4.1)	22 %	36.8 %

Comparison amongst original brand owners

Among the statistics, it is interesting to note that companies from the EU have the highest supporting rate (i.e. around 75.3 %).

	China	EU	Rest of the World
No. of cases	206	81	107
Supporting rate	63.1 %	75.3 %	68.2 %

Ex officio action

With the rapid increase of BFTMs in China since 2018 and the difficulties in identifying BFTMs, in addition to filing oppositions and invalidations, experience indicates that the CTMO has also

⁽²⁵⁾ In particular at trade mark attorney trainings sessions held by the CTMO.

encouraged original brand owners⁽²⁶⁾ to submit complaint letters against BFTMs since 2018. If the bad faith is recognised by the CTMO, the BFTMs will be *ex officio* rejected by the CTMO during the examination stage. However, since complaint letters are not a formal proceeding, the CTMO will not provide any formal response to them and it is not possible to assess the supporting rate. Experience indicates that the CTMO is inclined to support complaint letters if the bad faith of the applicant in hoarding trade marks or copying others' brands is obvious, especially for cases where the bad faith of the applicant has been recognised in prior cases. At present, there are two examination departments with responsibility for reviewing the complaint letters. However, with the increase in the number of complaint letters submitted to the CTMO, some backlogs have developed in their processing.

3.5.3 Court cases

175 court judgments were randomly selected, which included 75 judgments issued between July and September 2018 (before the Fourth Amendment of the China Trademark Law came into effect in 2019) and 100 judgments issued between July and September 2020 (after the revised law came into effect).

In all the judgments issued in 2020, the applicable law was the Third Amendment, given the time taken for matters to proceed from the CTMO and the TRAD to the administrative court. The analysis was still undertaken to determine whether it was possible to discern any change in attitude or practice, notwithstanding the same applicable law.

Altogether five cases involving transformation of marks were identified, all of which were ruled in favour of the original brand owners by the court. The court cases analysed are as follows.

1.  (disputed mark) v  (cited mark) – copying a brand but using the letters in reverse order – judgement issued in September 2018 – bad faith recognised.

The cited mark is the brand of a reputable bakery store chain, which was imitated by a third party on services in Class 35. The marks coincide in the dominant numbers 5 and 8, but in reverse order.

The brand owner filed an invalidation against the disputed mark and cited both Article 13 (well-known trade mark claim) and Article 30 (prior trade mark right) in its arguments.

In the invalidation decision, the TRAD ruled both parties' marks are similar, but only invalidated those services that are in direct conflict with those of the brand owner's mark based on Article 30 and maintained the other dissimilar services of the disputed mark. The TRAD considered the well-known trade mark status of the cited mark and the bad-faith claim but did not support either.

A court appeal was filed by the brand owner. In the court judgment, the Beijing IP Court overturned the TRAD decision and ruled that the disputed mark is an obvious bad faith imitation of the brand owner's well-known trade mark and overturned the TRAD decision based on Article 13.3.

⁽²⁶⁾The encouragement has come, for instance, in the context of training sessions run by CTMO. Experience indicates that this encouragement began in 2018. There does not appear to be any formal publications encouraging the submission of complaint letters, but it has become widely adopted practice amongst practitioners.

2.  (disputed mark) v **ENGADGET** (cited mark) – Chinese phonetic or connotation equivalent of Latin characters – judgement issued in September 2018.

The disputed mark is the Chinese translation of the cited mark used by the brand owner, and the registrant of the disputed mark had a business relationship with the brand owner.

The brand owner filed an invalidation against the disputed mark based on Article 32 (prior use arguments), Article 30 (prior trade mark right), Article 15 (agent relationship) and Article 7 (good faith principle).

The TRAD did not recognise the bad faith of the registrant of the disputed mark and maintained the registration of the disputed mark in the invalidation proceeding. The brand owner further appealed to the court and submitted additional evidence to prove the well-established exclusive corresponding relationship between the disputed mark and cited mark via the brand owner's use.

The Beijing IP Court accepted and fully considered the additional evidence submitted in the court hearing, recognised the exclusive corresponding relationship between the disputed mark and cited mark, and overturned the TRAD decision based on Article 30 of China Trademark Law. However, the other bad-faith claims (based on Article 7 and Article 15) were considered but not supported by the court.

3. **Telmaeinque**' (disputed mark) v **Telemecanique** (cited mark) – a combination of a mark with other words/letters to hide the bad faith – judgement issued in July 2018 – bad faith recognised.

The first three and last three letters of the disputed mark are identical to the cited mark and it was registered in the brand owner's core class. The registrant of the disputed mark changed the middle letters from 'emecani' to 'maein' to hide its bad faith in copying the brand owner's cited mark.

The TRAD ruled that both marks constitute similar marks on similar goods and invalidated the disputed mark for the majority of the goods but maintained the registration on the item 'signal lanterns' since this item is not similar to the goods of the cited mark in accordance with the Chinese Classification Book. The brand owner filed an appeal to the court on the basis of Article 30.

Although the Beijing IP Court ruled that the disputed mark is a 'bad-faith imitation' of the cited mark since the disputed mark had been used on 1688.com and that the registrant had also used other marks of the brand owner on its online store (thus showing the bad faith of the registrant against the brand owner), it did not rely on a specific BF Article to reach its decision. Meanwhile, it also considered that the item 'signal lanterns' was related to the goods 'control devices and equipment in the power distribution system' of the cited mark in terms of function and distribution channel and supported the brand owner's claim based on Article 30.

4.  (disputed mark) v  (cited mark) – copying the design or styling of a brand – judgement issued in July 2020 – bad faith recognised.

Both the disputed mark and the cited mark were a stylised letter 'N' and had similar shadow designs over the letter. In addition, the registrant of the disputed mark also filed a large number of trade mark applications, some of which were posted for sale on the internet.

Both the TRAD and the Beijing IP court recognised the bad faith of the registrant of the disputed mark in imitating other's brands and hoarding and selling these marks for profit, and invalidated

this mark based on both Article 30 and Article 44.1. Since the disputed mark was registered before the Fourth Amendment came into effect, the TRAD and the court did not apply Article 4 of the revised law in this case.

5. **SOPUOR** (disputed mark) v  (cited mark) – copying a brand but using the letters in reverse order – judgement issued in September 2020 – bad faith recognised.

The disputed mark was registered in 2009. It shares a similar letter combination with the English part of the cited mark, with the letters 'O and U' in reverse order. The brand owner filed an invalidation against the disputed mark in 2011 based on bad-faith arguments but was not supported by the TRAD.

In 2017, the brand owner re-filed invalidation arguments based on Article 13.3 (well-known trade mark claim) and Article 30 (prior trade mark right) against the disputed mark. The TRAD did not support Article 30 since the disputed mark had been registered for over 5 years when the invalidation was filed. For Article 13.3, the TRAD ruled that the brand owner did not provide sufficient evidence to prove the well-known status of the cited mark and maintained registration of the disputed mark.

During the court appeal proceeding, the brand owner submitted additional evidence to prove the well-known status of the cited mark before the application date of the disputed mark. The Beijing IP Court considered the additional evidence and recognised the well-known status of the cited mark and the bad faith of the registrant of the disputed mark in copying the brand owner's mark. The Beijing High People's court also upheld the judgment of the first instance.

Further analysis

Of these five cases, the TRAD had already supported or partially supported the original brand owner's claims in four of them, but most of them were supported based on Article 30 (i.e. prior trade mark rights). In contrast, the court clearly recognised bad faith in four cases. From this limited selection of cases, it appears that the TRAD is more reluctant to recognise the bad faith of the applicants of the disputed marks and/or the well-known status of the cited marks.

From this limited selection of cases, it is also difficult to discern any change of attitude or approach from the court. All cases were determined under the Third Amendment and, from the reading of the judgments, the court took into account the bad faith of the applicants in general terms in all cases, whether or not this resulted in a decision relying on a specific bad-faith Article.

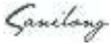
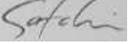
3.5.4 Case studies of each transformation type

The following case studies elaborate on opposition or invalidation decisions relating to each of the seven types of transformation set out above, to show how the authorities are tackling the transformation of marks issue. Experience indicates that these are typical cases considering transformation that also highlight some of the difficulties facing the authorities and inconsistencies in their decision making.

1. *Sanilong* invalidation case – copying the design or styling of a brand but with completely different letters – decision issued in 2017.

This case was selected as the 2017 top 20 sample case by the TRAD.

The letter combination of the disputed mark 'SANILONG' was distinguishable from the brand

owner's prior mark 'SATCHI'. However, the stylisation of both marks  and  are confusingly similar. The TRAD supported the invalidation based on Article 30 (prior trade mark right on similar goods/services), but still did not recognise the bad faith of the registrant of the disputed mark.

2. **AIZIZOVN (AIZIZOVN) invalidation case – copying the design or styling of a brand but with similar or similar looking letters/characters in the brand owner's core class – decision issued in 2018.**

ARROW is a reputable brand of bathroom goods, such as basins or flush toilets in China. Its marks were copied and imitated by many bad-faith parties. Based on the TRAD database, the brand owner has filed almost 400 oppositions/invalidations against BFTMs since October 2020.

The mark **AIZIZOVN** is a transformation of the mark 'ARROW'. The letters I and Z were tilted slightly, making them look like the letter R. Similarly, the tilted V and N together look like the letter W. The TRAD supported the invalidation based on the brand owner's prior mark but did not provide any comments on the bad faith of the applicant in copying the brand owner's mark. Given the obvious bad-faith intention of the applicant, this was very disappointing.

3.  **(BARKSTARS) invalidation case – copying a brand but using the letters in reverse order in the brand owner's core class – decision issued in 2018.**

This disputed mark is composed of the English word 'BARKSTARS' and a figurative device. The English part of this mark coincides in a number of similar letters with the brand owner's reputable brand 'STARBUCKS', but the letters are in different orders. The figurative devices



and of both parties' marks also coincide in similar hair designs, but are arguably distinguishable in terms of overall appearance. Purely based on similarities between the two parties' marks, there is room to argue that both parties' marks are distinguishable.

When rendering a decision for this case, the TRAD stated that in addition to the similarities between the marks, the reputation and distinctiveness of the cited mark should be considered. Given the high reputation of the brand owner's marks on café services in China, the TRAD concluded that use and registration of the disputed mark is likely to cause consumer confusion or mislead consumers into believing that the disputed mark is related to the brand owner's reputable brand. As a result, the TRAD invalidated the disputed mark based on Article 30 of China Trademark Law.

The disputed mark is a typical transformation of the brand owner's mark. Although the TRAD supported the brand owner's invalidation, it did not mention the bad faith of the registrant in copying the brand owner's mark in the decision.

4. **'和百瑞' (He Bai Rui) opposition case – Chinese phonetic equivalent of Latin characters in the brand owner's core class – decision issued in 2020.**

The Chinese phonetic equivalent of 'HOLLAND & BARRETT' (i.e. '何柏瑞' (He Bai Rui in CC) was not registered by the brand owner). A Chinese company filed a Chinese mark '和百瑞' (He Bai Rui in CC) in the owner's core class, which is phonetically identical with the Chinese mark of the brand owner.

The applicant of this mark is the associated company of the business partner of the brand

owner, who was aware of the brand owner's Chinese mark before filing the application. The applicant filed several marks sharing similar pronunciation with 'HOLLAND & BARRETT' (e.g. '和百瑞' (He Bai Rui in CC), '合百瑞' (He Bai Rui in CC) and '荷柏瑞H&B' (He Bai Rui in CC)).

In the opposition decision, the CTMO negated the similarity between '和百瑞' (He Bai Rui in CC) and 'HOLLAND & BARRETT', but recognised the reputation of the English mark 'HOLLAND & BARRETT' and the bad faith of the applicant in copying the brand owner's mark. The CTMO eventually rejected the mark based on Article 30 of the Trademark Law.

For many foreign brand owners, especially SMEs, before confirming the performance of sales of the goods in China, they are reluctant to invest resources to create and register a Chinese mark for their brand in Latin characters, which leaves room for bad-faith parties to pre-emptively apply for such Chinese marks. Once the brand becomes popular, it is normally too late to file for the Chinese mark.

5. **ukhouzz** opposition appeal case – a combination of a mark with other words/letters to hide the bad faith in the brand owner's core class – decision issued in 2018.

HOUZZ is a reputable UK brand in the home decoration industry. The disputed mark is a combination of the country name 'UK' and the brand 'HOUZZ', which was obviously filed in bad faith.

The brand owner filed an opposition against this disputed mark and was supported by the CTMO. In its decision, the CTMO fully considered the bad faith of the applicant in copying others' brands and supported the brand owner's opposition based on Article 7 (good faith principle) and Article 30 (prior trade mark right on similar services). In the opposition appeal proceeding raised by the opposed party, the TRAD upheld the CTMO decision but changed the legal ground from Article 7 to Article 44.1 (disrupting the trade mark registration order).

6. '天伯榄' (Tian Bo Lan) opposition case – copying other's marks by using similarly pronounced letters/characters in the brand owner's core class – decision issued in 2020.

The opposed mark is pronounced identically to the brand owner's Chinese mark '添柏岚' (TIMBERLAND in Chinese). However, both marks are distinguishable in terms of connotation and visual appearance. In accordance with the present examination standard, the marks are not similar.

The CTMO decision is very simple, it only commented that the brand owner's mark had a high reputation, and therefore use and registration of the opposed mark was likely to cause consumer confusion. Again, in the decision, the CTMO did not provide any comments in terms of the opposed party's bad faith.

7. '好待百' (Hao Dai Bai) and '梦多加喱' (Meng Duo Jia Li) opposition cases – a brand split into two parts, applied for separately, but that can be used together to resemble the brand – decision issued in 2020.

This case was selected as the 2020 top 10 sample case by the CTMO.

'好待' (Hao Dai) and '百梦多' (Bai Meng Duo) are very popular Japanese curry brands in China owned by the same company, House Foods Group Inc. The opposed marks alone are distinguishable from the brand owner's marks, respectively. However, when the two opposed marks are used together '好待百梦多加喱', it will be almost identical to the brand owner's prior marks. Although the CTMO supported the oppositions raised by the brand owner based on

Article 30 (prior trade mark right on similar goods), it did not mention any bad faith of the opposed party in the decision.

None of these cases relied upon Article 4 as amended by the Fourth Amendment. The invalidation cases were all based on the Third Amendment. The opposition cases from 2020 were decided under the Fourth Amendment. Even in relation to cases decided in 2020 this is because the cases were decided under the Third Amendment. From the analysis of these cases, no material change in the way the court handled instances of transformation following the Fourth Amendment was evident.

3.5.5 How does the handling of transformed marks by the authorities impact original brand owners?

Due to the difficulties in identifying transformed marks during the examination stage, original brand owners will have to incur extra cost and resources to monitor the *Trademark Gazette* and file oppositions/invalidations to remove the transformed marks from the registry. In addition, if most of these marks slip through the examination stage without being detected, it may also encourage more bad-faith filings.

Although the supporting rate against transformed marks in oppositions/invalidations are good, the whole proceeding may take 1 to 2 years, or even longer if the case is appealed to the court. Before the transformed marks are eventually removed, it is normally difficult for brand owners to stop the BF parties' use of the transformed marks in the marketplace, increasing the risk of interfering with the brand owners' business operation.

For example, the mark **SPADATS** is a bad-faith imitation of a reputable basketball brand **SPALDING**, but slipped through the examination stage and proceeded to registration. Due to the shield of the registration, this mark is used by the registrant on a large commercial scale, and it is very difficult to stop the registrant's use of this mark before the registration is removed in invalidation proceeding.

3.5.8 Literature review

No significant literature discussing the transformation of marks was uncovered during legal research.

3.6 Conclusions

The conclusions can be summarised as follows.

- Transformation of marks has been considered as a form of bad-faith filing by authorities, and the supporting rates of opposition / invalidation / administrative litigation are reasonably good. Although the supporting rate of opposition cases for transformation marks is higher than the average opposition supporting rate, it is much lower than the supporting rate of invalidation cases reviewed by the TRAD. In addition, the TRAD is obviously more inclined to support bad-faith claims than the CTMO.
- Some types of transformation (Types 3 and 6) were not considered as bad faith by the CTMO, especially Type 6 which accounts for approximately 36 % of transformed marks, but the supporting rate is only 48 %, which is much lower than the supporting rate of the TRAD (i.e. 78.9 % for the same type of transformation).
- It is still difficult for the CTMO to identify transformed marks during the examination stage and original brand owners have to invest extra resources to fight against such BFTMs.

- Because transformed marks are by their nature not obvious BFTMs and are discreet in bad-faith nature, the CTMO and the TRAD are reluctant to expressly recognise bad faith (not citing a bad-faith Article when deciding cases). This is especially so in cases where the decisions can be supported based on Article 30, although any bad-faith element is often considered in a general sense during the examination.
- No bias was found when the authorities render the decisions or judgment, irrespective of where the original brand owners come from.
- There is limited application of Article 4 in oppositions and invalidations. This might be because the revised law is still too new and not applicable to cases decided prior to the current law. Moreover, the authorities are still at the exploratory stage to determine how best to apply Article 4.1. It is the authorities' intention not to make Article 4.1 a catch-all clause that could be applied in all types of cases against BFTMs. When there are other Articles that can be applied more properly to tackle specific BFTM situations, authorities prefer to adopt the more suitable Articles so that all Articles addressing bad-faith issues can be fully analysed and utilised – this ensures the accurate applications of the current Trade Mark Law and authoritativeness of such applications.

4. Analysis of the recognition of well-known trade marks

4.1 Introduction

This section analyses the recognition of well-known trade marks, including provisions on likelihood of confusion as part of the study to identify bad-faith trade marks as established in the CNIPA's guidelines.

The section analyses legislation, including regulations, as well as the way recognition of well-known trade marks are treated by the judicial system, to assess the extent to which European Union trade marks can effectively avail themselves of this possibility and to what extent this option has helped to address issues of bad faith.

4.2 Recognition of WKTMs, including provisions on likelihood of confusion

4.2.1 Articles relating to WKTM in the laws, regulations, interpretations and rules in force currently

No changes were introduced by the Fourth Amendment to the Trade Mark law.

The provisions related to well-known trade marks protection was first introduced in the Second Amendment of the Trademark Law in 2001, aiming to grant a broader scope of protection to marks with a high reputation among the Chinese public. Given that a well-known trade mark is entitled to a much wider scope of protection, it strictly follows the 'on-demand recognition' rule, namely, the CNIPA (both the CTMO and the TRAD) or the court recognises the well-known status of the qualified marks at the brand owners' request where the well-known trade mark provision is the only applicable provision in the cases. Article 14 of the Trademark Law has stipulated several factors for examiners' consideration on well-known trade marks recognition, which also provide the brand owners with guidance on preparing and submitting supporting materials as evidence.

In the Third Amendment in 2013, Article 14 of the Trademark Law and Article 4 of the Rules of Well-known Trade Mark Recognition and Protection issued by the former SAIC reiterated the on-demand principle for well-known trade mark recognition and forbade the brand owner from making reference to 'well-known trade mark' in commercial use to prevent abuse of 'well-known trade marks'. Article 9 of the Rules of Well-known Trade Mark Recognition and Protection issued by the former SAIC also amended and refined the factors for WKTM recognition. The Fourth Amendment in 2019 did not make any change to those provisions relating to WKTM in the Trademark Law.

4.2.2 Process of obtaining WKTM recognition

To obtain WKTM recognition, the brand owners can file with the CTMO and the TRAD, requests for recognition in opposition and invalidation cases and with the SAMR in enforcement actions. The related interpretations also empower the court to recognise the well-known trade marks in trade mark infringement disputes.

Specifically, both the CNIPA and court examiners recognise well-known trade marks mainly based on the factors listed in Article 14 of the Trademark Law:

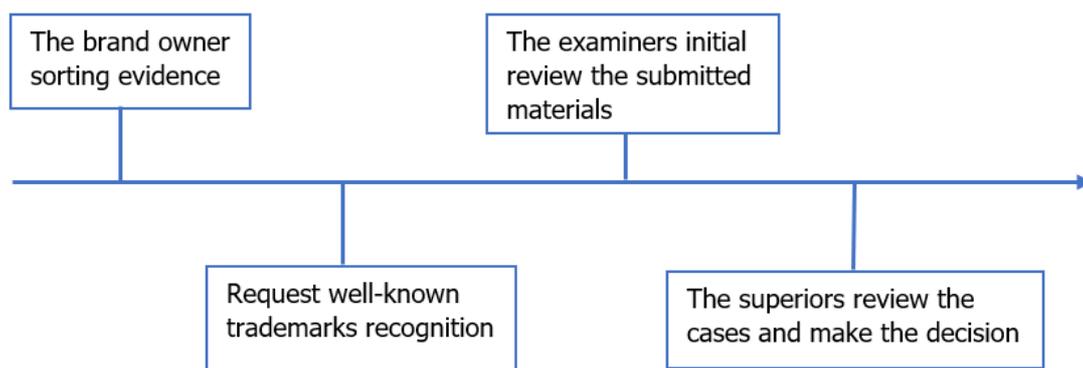
- the degree of public awareness of the mark;
- the degree of continuous commercial use of the mark;
- the continuous length, degree and geographical scope of advertising;

- prior well-known trade mark recognition records.

Based on Article 14, the brand owners usually prepare the following types of evidence in support of their well-known recognition requests:

1. brand history of the company and the trade marks;
2. marketing shares of goods/services branded in the Chinese marketplace;
3. favourable decisions made by trade mark authorities affirming the high reputation of the trade marks both nationally and globally;
4. offline and online media reports about the company as well as goods/services branded with the trade marks;
5. honours and awards granted to the trade marks.

In addition, the Rules of Well-known Trade Mark Recognition and Protection⁽²⁷⁾ detailed these factors, which also guide the brand owners to collect and sort related evidence to support their claim. The examiners will initially review all the submitted evidence and hand qualifying cases and materials to a higher level authority for review and decision making. The CTMO decisions are subject to appeal to TRAD, and the TRAD decisions are subject to two instances of administrative litigation before the Beijing IP Court and the Beijing High People's Court, respectively. A final review application may be made from a second instance administrative litigation case to the Supreme People's Court.



4.3 How the Fourth Amendment regarding BFTMs is affecting practice regarding WKTMs: market perception

Although the Trademark Law provisions and Implementing Regulations were not changed in the Fourth Amendment in 2019, well-known recognition is changing in practice.

4.3.1 The practitioner questionnaire results

The full results of the practitioner questionnaire are included in Annex IV.

The key findings from the questionnaire are as follows.

- 39 % of practitioners believe it is 'important', and 45 % believe it is 'very important' to have a mark recognised as well-known in order to tackle bad-faith trade marks.

⁽²⁷⁾ Former State Administration of Industry and Commerce: Rules of Well-known Trade Mark Recognition and Protection, 03/08/2014[原国家工商行政管理总局, 驰名商标认定和保护规定, 2014年8月3日生效]
http://www.samr.gov.cn/fgs/sjdt/201407/t20140710_294506.html.

- When asked to confirm whether it is more or less important to have a mark recognised as a well-known trade mark to tackle bad-faith trade marks since the changes in the law, 43.8 % said 'more important' and 26.6 % said 'much more important'.
- 32 % of practitioners believe it is harder / much harder for European businesses to have their marks recognised as well-known trade marks than for Chinese businesses. 51.6 % believed it was 'the same' and only 15.6 % believed it was 'easier'.
- Over half of the practitioners (53 %) agree / strongly agree that the evidential burden on a trade mark owner to demonstrate that their mark is well known is reasonable. 20 % disagree and 26.6 % neither agree nor disagree.

The results of the questionnaire show that the majority of the practitioners confirmed the importance of WKTMs recognition when looking to tackle BFTMs. This is unsurprising given that having the high reputation formally recognised can only assist claims that the applicant knew of and intended to imitate an original brand owner's mark, as well as supporting the authorities taking a more flexible view of the similarity of BFTMs to existing WKTMs.

However, it is certainly clear that it remains challenging to obtain WKTm recognition and, on balance, the view is that the high threshold for European businesses to achieve WKTm status seems to have increased in recent years.

4.3.2 Interview results

A series of interviews with trade mark experts from a variety of law firms, trade mark agencies and multinational companies based in China and overseas were conducted (see Annex V for full details).

The interviewees provided a variety of opinions on the topic of well-known trade marks.

Both of the brand owners that were interviewed will continue to seek WKTm recognition for their core brands in order to obtain protection against, and fend off, bad-faith trade mark applications in other classes.

Although one interviewee felt that the CTMO was seeking to reduce the burden of proving WKTm status, and that it was no longer as important to be recognised as WKTm, the general consensus expressed concern that the amount of evidence required to prove WKTm status was still too burdensome. This aligns closely with the questionnaire responses.

One recommendation was to reduce the evidence required to obtain protection, or broaden the level of protection offered across other classes if the bad-faith intent of the bad-faith actor can be shown from other surrounding facts. It was also felt that the CTMO, the TRAD and the courts should issue clearer guidelines so that there could be more certainty around the criteria considered when deciding on WKTm status.

4.3.3 EUCCC Position Paper | EU Delegation and EU Commission review

The challenges inherent in successfully obtaining WKTm status to overcome prior bad-faith marks have been a topic of concern for the EUCCC and EU Delegation for some time.

The EU Delegation and the EUCCC have expressed two main concerns with the WKTm provisions in the current law.

- **The threshold in order to be recognised as a well-known trade mark is too high for allowing adequate protection.** Recommendations include lowering the threshold so that the mark is recognised as a 'reputed mark' as well as to consider internet activity and accessibility

by the Chinese market in determining pre-emptive registration in bad faith. It is currently regarded as too difficult to use Article 13 and so brand owners are encouraged to file lots of defensive marks instead, which further increases the size and complexity of the trade mark registry.

- **Protect trade marks against the risk of association, and not the higher standard, likelihood of confusion.** Delete the words 'dissimilar' and 'mislead' from the law.

In conclusion, the market perspective is that WKTMs can be, and should remain, important tools to protect against BFTMs, but that obtaining recognition remains too burdensome in many situations.

4.3.4 Case law analysis: TRAD invalidation decisions

In order to examine the changing practice, an analysis was undertaken of TRAD invalidation decisions between 2018 and 2020.

TRAD case law analysis

To compare changes in the TRAD's approach against bad-faith applications, decisions issued by the TRAD during comparable calendar periods before and after the introduction of the Fourth Amendment in April 2019 were obtained. Specifically, for practices under the Third Amendment, decisions issued by the TRAD between July and September 2018; and for practices under the Fourth Amendment, decisions issued by the TRAD between July and September 2020 were obtained. For the reasons given above, this was the latest period available for comparison.

TRAD cases are decided under the law in force at the time of the original application. All cases from 2018 were considered under the Third Amendment. Given the time for a matter to proceed to TRAD, most of the cases from 2020 would also have been considered under the Third Amendment. This may reduce the extent to which it is possible to make conclusions about the impact of the Fourth Amendment **in of itself** but experience has shown that, even if cases are strictly decided under an older law (in this case, the Third Amendment), the TRAD will often take into account the **spirit** of any new law in place at the time they consider the matter (in this case, the Fourth Amendment). Any conclusions should at least be directionally meaningful.

The approach

Copies of all published TRAD decisions made during the two periods mentioned above were obtained from a third party service provider. All refusal appeal, opposition and invalidation cases were analysed to determine those in which a claim of bad faith had been made. That analysis revealed a total of 2 547 cases from 2018 and 8 684 from 2020. All those decisions were further analysed to determine whether the claim of bad faith had been supported.

The analysis

Of the 2018 decisions, 93 decisions involved claims by the party applying for the invalidation of WKTm status that were supported by the TRAD. This represents 4.1 % of the 2018 sample. Of those 93 decisions, 63 (67.7 %) denied the claim of bad faith also being made.

Of the 2020 decisions, 172 decisions involved claims by the party applying for the invalidation of WKTM status that were supported by the TRAD. This represents 2.0 % of the 2020 sample.



Assuming an equal rate of claims for WKTM status between 2018 and 2020, this analysis indicates a reduction in the willingness of the TRAD to recognise WKTMs in the context of invalidations including claims of bad faith.

After the Fourth Amendment became effective in 2019, experience has shown that both the CTMO and the TRAD became more stringent and prudent in their recognition of WKTMs. This is especially so for the CTMO when examining the opposition cases with well-known trade mark claims. CTMO examiners seem to consider any similarity grounds claimed pursuant to Article 30 first and, secondarily, then consider any bad-faith claim pursuant to the amended Article 4 or Article 44. If these provisions apply to the case, the CTMO tends to make no comments on well-known trade marks or expresses a simplistic opinion that the submitted evidence is insufficient to prove the well-known status.

As can be seen from the evidence, there was a significant increase in the number of invalidation cases claiming BF decided by the TRAD between 2018 and 2020. Experience shows that this reflects the fact that the TRAD typically pays more attention to bad-faith factors when deciding disputes. Usually, however, experience indicates that the TRAD is more inclined to recognise that the original brand owners trade mark enjoys a 'certain reputation' as required pursuant to Article 32. Once the certain reputation is recognised, the TRAD often breaks through the sub-classification to reject bad-faith marks covering non-conflicting goods/services and makes the decision based on Article 32 instead of recognising WKTM status and relying on Article 13.

In the decisions related to WKTM provisions, the examiners often write⁽²⁸⁾ in the following or similar terms: 'In view of the fact that we have applied the provisions of Article 30 [or other applicable Articles] of the Trademark Law to invalidate the disputed trade marks, **we have fully considered the reputation of the applicant's cited trade marks when applying Article 30.** Therefore, Article 13 of the Trademark Law does not apply to this case.' [emphasis added] (i.e. the examiners conclude that it is not necessary to consider whether the cited mark is well-known or not).

The regular appearance of language similar to this suggests that, while the reputation of the original brand owners' marks is certainly recognised and taken into account when assessing, for instance, the similarity of marks and the likelihood of confusion pursuant to Article 30, and may well have been an important or even decisive factor in the success of the case generally, the TRAD is able to make the supporting invalidation decision on the basis of Article 30 and, therefore, the TRAD is of the view

⁽²⁸⁾ Searches revealed a large number of such decisions, including trade mark invalidation decisions TM REVIEW [2018] No. 0000144929, TM REVIEW [2019] No. 0000317818, TM REVIEW [2020] No. 0000091386, TM REVIEW [2021] No. 0000063961 and trade mark opposition decisions (2020) TM OPPOSITION No. 0000121865, (2021) TM OPPOSITION No. 0000048805.

that no consideration of the Article 13 claim of WKTM status is necessary. It is in line with this perspective, that the decisions supporting WKTM recognition have fallen to 2.0 %.

4.3.5 Administrative case law review

Two high profile cases that provide some additional insight are reviewed below.

1. BENTLEY invalidation case – both well-known trade marks and bad-faith claims are supported – TM REVIEW [2020] No. 0000071203 decided on 13 April 2020

The TRAD examiners considered the evidence submitted by the original brand owner including the media publicity and extensive use of the cited mark 'BENTLEY' on automobile goods, and the prior well known recognition records of the cited mark, and concluded that the cited mark had obtained a high reputation among the public and so was recognised as a WKTM. The disputed mark was identical to the original brand owner's cited mark and was held by the TRAD to be an imitation of the well-known cited mark.

Apart from the disputed mark, the adverse party filed various trade marks identical or similar to other parties' famous marks, and many of them were refused or opposed by the respective trade mark owners. The adverse party did not explain any of these trade marks similarities, which the TRAD took to support its conclusion that the adverse party acted in bad faith in copying and imitating other parties' trade marks. The TRAD also held that such misconduct obviously disturbs trade mark administration order and breached the principle of good faith pursuant to Article 7.

The court⁽²⁹⁾ also held the same view, drawing a clear distinction between the issues of WKTM status of the original brand owner's prior marks and the applicant's bad faith. Therefore, the judges would review the plaintiff's evidence first to decide whether to recognise the well-known trade marks irrespective of whether the disputed mark was filed in bad faith.

2. '普华永道' (Pricewaterhouse Coopers in Chinese) invalidation case – Only recognised the bad-faith claim – TM REVIEW [2021] No. 0000013455 decided on 21 January 2021

This case may show the examiners' attitude on the well-known trade mark recognition.

The brand owner filed an invalidation against the mark 'Pricewaterhouse Coopers in Chinese' based on the well-known trade mark's claim and the applicant's bad faith. The brand owner submitted the following evidence to prove the reputation of the cited mark:

- the introduction and advertising material of the applicant;
- 2012-2018 Forbes, Brand Finance listed the applicant as one of the most influential brands and in the Top 100 most valuable brands;
- business licence and registered information;
- annual audit report and shareholder's meeting materials;
- awards and charity business evidence;
- related media report;
- evidence of the cited mark protection records and enforcements records in China; and
- the trade marks under the disputed party and introduction of the brands that the opposing party copied.

The TRAD examiners reviewed all the evidence and were of the opinion that the submitted evidence was insufficient to prove the continuous use, sales condition, sales regions,

⁽²⁹⁾ (2018) IP COURT No. 73 ADMINISTRATION REVIEW No. 6832

marketplace share, geographic scope and industry ranking, etc. and so the cited mark could not be recognised as a well-known trade mark. As for bad-faith factors, the examiners observed that the opposing party filed more than 450 marks, many of which were identical or similar to other parties' brands. This misconduct disturbs the trade mark administration order, exceeds the normal business needs and breaches the principle of good faith (Article 44).

These two cases reflect the earlier findings that it is more difficult to have a trade mark recognised as a well-known trade mark because the trade mark authorities are more inclined to decide disputed cases relying on bad-faith provisions.

4.4 Conclusions

4.4.1 The recognition of BFTM tends to exclude WKTM recognition

It would appear that the bad-faith factors have become the major weapon for the brand owners to protect their trade marks when the owners' prior rights are not applicable to their cases, given that it is extremely difficult to achieve well-known trade mark recognition currently. In this regard, it is believed that brand owners cannot rely merely on the provisions for well-known trade marks recognition in the cases from now on, but must/should change their tune and re-consider the strategy for trade mark disputes, such as the following.

1. When the other party's mark is an identical or confusingly similar mark on conflicting goods/services, claims based on Article 30 regarding similar marks on similar goods/services will have a good chance of being supported.
2. When the other party's mark is an identical or similar mark on non-conflicting but relevant goods/services, the brand owner needs to submit evidence to prove the certain reputation claim, and then a similarity claim (Article 30) may still be supported by the examiners.
3. When the other party's mark is an identical or similar mark on non-conflicting goods/services, but the mark was filed in blatant bad faith (e.g. large number of trade mark filings far beyond common business needs, evident bad faith such as publicly offering to sell the trade marks), then a bad-faith claim will have a good chance of being supported by the examiners.

4.4.2 WKTM recognition is harder to achieve in the context of cases concerning BFTMs

On balance, the view is that the high threshold for European businesses to achieve WKTM status has increased in recent years. This is compounded by the effective exclusion of recognition of WKTM status in BFTM cases.

In cases where the brand owner aims to have cited marks recognised as well-known, the submitted evidence materials should be clearer and stronger than before. Sometimes, in an attempt to persuade the examiners, brand owners may submit large amounts of evidence and arguments. Unfortunately, due to tight statutory examination periods and a heavy workload, examiners may overlook key points if overwhelmed with too much information. Experience shows that it is better to provide solid supporting evidence that enables the examiners to understand the merits of the case quickly and clearly in order to make their decision.

Solid evidence means that the evidence is authentic, legal, and relevant. For example, evidence such as contracts or sales invoices should clearly show the cited trade mark; the data in the brand owners' audit report should match the report issued by an industry body; the evidence of commercial use should pertain to that in mainland China. Any defective evidence may make a negative impression on the examiners.

Based on prior case experience, it is recommended that brand owners (especially those from Europe) should focus on generating evidence that was obtained in mainland China. Evidence related to global online sales or brand ranking are not persuasive and are considered at the discretion of each examiner.

4.4.3 WKTM Article does not apply to somewhat similar trade marks (those not confusingly similar) covering conflicting goods

The provisions for well-known trade marks is designed to prevent or remove the registration of the marks on dissimilar goods/services that are copies, imitations or translations of well-known trade marks. However, for many brand owners, there is increasing concern with the way some bad-faith marks, used on similar goods/services may not cause confusion but still blur the overall impression and impact of well-known trade marks.

While these kinds of marks may not actually confuse consumers as to the origin of the goods/services, consumers may associate this kind of marks with the well-known marks in an unintended manner. Therefore, allowing the registration of these kinds of marks may dilute the well-known trade marks' distinctiveness.

The current Trademark Law, even as amended under the Fourth Amendment, is not well equipped to deal with this kind of trade mark dispute. Article 30 requires similarities between the trade marks; unfortunately, in most cases these kinds of marks are not confusingly similar to the point where a finding of likelihood of confusion can be achieved, notwithstanding that they do blur the difference between goods/services. In addition, the bad-faith provisions in the Trademark Law mainly focus on the applicant's bad faith in filing the trade marks and cannot be readily applied to situations where the applicant is seeking to actually use the brand in the market on similar packaging for the same goods/services.

In these situations, in addition to the damage to the trade mark, it may also have a commercial and economic impact on the brand owner.

Where consumers are sophisticated or the goods/services are unique, expensive or high-tech, then this may rarely happen. Where the goods/services are low priced daily commodities consumers may pay less attention to the difference between the marks, causing confusion and damage.

The higher the reputation that a mark achieves, the wider scope of protection it should be granted.

Well-known trade mark recognition plays an important role in trade mark disputes and enforcement actions, as it reduces the trade mark owners' burden to compile a large amount of evidence to show the high reputation of the infringed marks and enjoys a broader scope of protection concerning dissimilar goods/services.

Well-known trade mark recognition can become especially important during the time of budget cuts due to COVID-19 because well-known trade mark recognition can afford brand owners a wider scope of protection suggesting that defensive filings will be less valuable. The current situation forces brand owners to file broadly and defensively, which is always costly and overly bloats their existing portfolios with unnecessary filings.

With the increasingly high threshold for WKTM recognition, brand owners are encouraged to present solid supporting evidence to enable the examiners to understand the merits quickly and clearly and make their decision. Doing so is likely to increase the chances of success in obtaining WKTM recognition.

The trade mark authorities are more reluctant to recognise a well-known mark in a case if they are able to decide the case based on some other legal grounds given that the well-known trade marks

recognition is based on the on-demand principle, while the internal procedure discourages examiners from recognising the well-known trade marks. Brand owners often choose to refrain from arguing too much on other legal grounds on purpose in order to make the well-known trade mark recognition request stand out in case the TRAD takes a 'safe' and 'easy' route and decides the case on the grounds other than well-known trade marks.

Another consideration from the perspective of recent practice is that the examiners now put more effort into cracking down on bad-faith applications. If the bad-faith claim can be upheld, the examiners will be able to decide the case without needing to recognise well-known trade marks and remove the registration of the disputed mark and protect the brand owner's trade mark in a rather straightforward way.

However, the Trademark Office has its own internal procedure to follow when seeking to recognise well-known trade marks. It is understood that a panel of examiners is required to review all of the evidence before submitting their recommendations to higher level superiors for approval. This procedure inevitably burdens examiners with extra work at a time when they are already striving to meet tight statutory examination deadlines.

5 Analysis of the Chinese trade mark system and possible improvements

5.1 Introduction

Following the analyses and conclusions in sections 2, 3 and 4 above, this section presents and considers possible improvements to the Chinese trade mark system.

In presenting these possible improvements, this section takes into account:

- stakeholder perspectives drawn from the questionnaire;
- stakeholder positions such as those outlined in the recent European Union China Chamber of Commerce (EUCCC) annual position papers;
- the comments provided by the EU stakeholders on 29 June 2018 to the public consultation; and
- opinions of stakeholders and discussions during the May 2019 IP Key workshop with the CNIPA on trade marks.

5.2 Stakeholder recommendations

5.2.1 The practitioner questionnaire recommendations

The full results of the practitioner questionnaire are included in Annex IV. Key opinions on possible improvements from the questionnaire include the following.

- 88 % of practitioners agree / strongly agree that there should be a formal process to allow trade mark owners to file observations for the CTMO to consider during examination of others' trade marks.
- 95 % of practitioners agree / strongly agree that the CTMO, the TRAD and the Beijing IP Court should take account of how a mark is used when considering whether the application for that mark was made in bad faith.
- 48 % of practitioners agree / strongly agree that all trade mark owners should be required to submit evidence of use during the term or on renewal of the mark in order to maintain the registration, although 30 % disagree / strongly disagree.
- 77 % of practitioners agree / strongly agree that the examination of trade marks by the CTMO should be stayed while the applicant takes actions to remove prior cited marks applied for in bad faith.
- 83 % of practitioners agree / strongly agree that the examination of trade mark refusal appeals by the TRAD should be stayed while the applicant takes actions to remove prior cited marks applied for in bad faith.

In addition, in the final question of the questionnaire, practitioners were invited in a free text answer to make their own suggestions for improvements to the law. The full answers are included in

Annex IV. Suggestions in several areas were independently raised multiple times. The table below shows those most frequently mentioned.

Area of suggested improvement	Number of practitioners raising
Increased penalties and punishments for BF actors	12
Further developing the blacklist	10
Ensuring clear and consistently applied criteria for assessing bad faith	8
Requiring BF actors to pay compensation to or the related costs of affected original brand owners	7
An increase in official fees	5
Introducing further obligations to produce evidence of use	3
More <i>ex officio</i> actions by the CTMO to reject BF applications	3
Closer regulation of trade mark agents	2
Shifting the burden of proof onto a BF actor to demonstrate that their application was in good faith, in certain circumstances	2

5.2.2 Interviewee recommendations

A series of interviews were conducted with trade mark experts from a variety of law firms, trade mark agencies and multinational companies based in China and overseas (see Annex V for full details).

The interviewees recognised that there is no simple fix to manage the problem of bad-faith trade marks. They all felt that a holistic and comprehensive approach to the problem and all its many facets was required. A series of recommended improvements to the law and practice were suggested by the interviewees, and have been grouped as follows.

1. **The burden placed on bad-faith actors needs to be increased in order to reduce profits available to them and to deter ongoing bad-faith activity.**
 - The cost of applying for, and maintaining, a trade mark registration is too cheap and should be increased.
 - Bad-faith actors should be required to defend their actions.
 - Bad-faith actors need to be punished for bad behaviours, along with their trade mark agents. The financial penalties and punishments need to be higher.
 - The original brand owner should be compensated for the cost of defending their rights against bad-faith actors and for any loss of rights protection.
 - The losing party should bear the attorney fees and the official fees.
2. **Known bad-faith actors (and their associates) should be placed on a blacklist.**
3. **Steps should be taken to improve and simplify the examination process.**
 - Examiners need more time and more technologically advanced tools to identify bad-faith behaviour (in its many forms).
 - It would be good to have public hearings and allow oral examination.
 - All of the results should be published with clearer explanations/reasoning to increase transparency and understanding.
 - Where possible, combine all related cases into one matter to simplify the process. This could involve suspending or staying the process so the results of other related matters can be concluded / taken into consideration.
 - Allow direct settlement in administrative procedures.

5.2.3 EUCCC Position Paper review

Recommendations from the European Union Chamber of Commerce in China related to bad-faith trade marks can be grouped together as follows.

Before 1 November 2019

1. Increase transparency

- Publish cases in a free, online database, so best practices can be disseminated and promptly adopted.

2. Make it easier to challenge registered marks that have been transformed in bad faith

- Lower the threshold for a registered trade mark to sue another registered trade mark.
- Specify that an action may be based on the principle of good faith (Article 7, Third Amendment of the Law).
- Amend Article 49.1 so any person has the right to apply to the CNIPA to cancel a registered trade mark if it becomes infringing after transformation.

3. Reduce the burden of proof

- Lower the burden of proof required to show bad faith in accordance with the degree of distinctiveness of the trade mark to be protected.

4. Trade mark agencies to follow principle of good faith

- Trade mark agencies to be prohibited from accepting authorisation for a matter if they know or should know that the registration applications falls under any prohibited circumstances.

5. Allow applicant access to evidence

- Allow the applicant to question and reply to the evidence provided by the trade mark registrant during the non-use cancellation stage to prevent prolonging the procedure to an appeal stage.

After 1 November 2019

The IPR Working Group of the EUCCC is currently drafting its position. Key recommendations being considered (as of May 2020) include the following.

6. Allow overseas evidence to support WKTM matters in bad-faith cases

- The CNIPA to consider interest and accessibility by the Chinese market in determining pre-emptive registration of bad faith.

7. Stay proceedings until invalidations, oppositions and non-use cancellations are dealt with

- Reduce workload both for the CNIPA and trade mark registrants by creating a procedure to stay trade mark examination procedures until all oppositions, cancellations and invalidations are dealt with.

5.2.4 EU Delegation Comments, 29 June 2018

After having consulted European stakeholders, the EU Delegation submitted a long list of general and specific comments on the revised Trademark Law in mid-2018. These can be found in Annex VI.

Key recommendations can be grouped together as follows.

Before 1 November 2019

1. Allow principle of good faith to be used as a standalone provision

- The principle of good faith should be set as a specific article that can be used in opposition and invalidation cases.

2. Give the CNIPA more power to resolve bad-faith matters / punish bad-faith actors

- These could include:
 - raising the fees for trade mark applications to at least the previous level;
 - where an actor is found to have acted in bad faith, other marks pre-emptively registered by the same actor should be rejected;
 - giving the original brand owner the right to request that the bad-faith trade mark is transferred to them if invalidation is successful;
 - where a registered trade mark is cancelled, declared to be invalid, or not renewed upon expiry, the CNIPA should refuse an application for registration of an identical or similar trade mark by the same owner for a 1 year period;
 - the losing party in opposition and invalidation cases should be liable for the winning party's expenses;
 - allowing any person to apply to the CNIPA to cancel or invalidate a registered trade mark if it becomes infringing after transformation;
 - allowing the conflict between a trade mark applied for and a cited trade mark to be resolved in one procedure before the TRAD;
 - awarding special and higher damages when a decision is based on bad faith;
 - during a non-use cancellation process, impose a strict time limit for producing evidence of use.

3. Increase transparency

- All filing information and official decisions (from the CTMO, the TRAD and the courts) should be publicised very promptly, creating a fair environment for the public to check and use the information.
- All decisions based on bad faith should also be published to constitute a 'blacklist'.

4. Reduce evidence threshold for WKTM matters

- Lower the threshold so that the mark is recognised as a 'reputed mark'.
- Consider internet activity and accessibility by the Chinese market in determining pre-emptive registration in bad faith.

5. Award damages for infringement during the period of pre-invalidations

- Allow civil lawsuits against registered infringing trade marks for compensation corresponding to the period pre-invalidations.

Taking all of these recommendations into account, and the analysis of the situation following the Fourth Amendment to the Trademark Law, it is recommended that the following be prioritised as improvements to the Chinese trade mark system.

- Introduce powers for the CTMO and the TRAD to punish bad-faith applicants by requiring them to pay the costs of the original brand owner.

5.3 Recommendations relating to BFTMs generally

Given the conclusions above, we have a number of recommendations in relation to both the application of the current law as well as the broader trade mark system.

Many of these recommendations have been discussed before, some for many years. Those presented here are a distillation of previous recommendations, with new perspectives from recent developments added in. Overall, the recommendations are therefore intended to focus on the issues today, both those historic continuing issues and those that have emerged more recently.

In summary, the key recommendations are as follows.

Bad-faith trade marks generally

1. Develop regulation to enable serious punishment to be imposed on bad-faith actors and their colluding agency, including granting powers to the CTMO and the TRAD to punish bad-faith actors and their agents in clear cases of bad faith. Moreover, introduce security deposits for trade mark agents at the CNIPA from which punishment fines can be deducted.
2. Publish an official blacklist listing, inter alia, any fines or other punishment already applied to the actors and agents, with the possibility that repeated violations will cause a blacklisted actor or agent to be banned from applying for new trade marks for a period of time.
3. Reinstigate the suspension of refusal appeals when action is ongoing against blocking citations that appear to have been filed in bad faith, and expedite the examination of those citations.
4. Reintroduce the regulation of trade mark agents and strengthen supervision.
5. Introduce use requirements to maintain registrations creating an active obligation on all trade mark owners to file evidence of use of marks within 3 years of registration and an obligation to file evidence of use for a renewal application to be accepted.

Transformation of trade marks

6. Support examiners and the examination process of transformed marks, by developing technology to support smarter searching using AI technology to assist examination, and providing additional training.
7. Make the filing of complaint letters during examination a formal process.

Well-known trade marks

8. Improve the protection of WKTMs by recognising well-known status in practice independently of any considerations of the bad faith of the applicant, and publishing guidance on this.

9. Clearly establish that the protection of WKTMs can extend to marks applied for or registered in relation to similar goods/services, where those marks take unfair advantage of the reputation of the original brand owner.

Each of the recommendations is intended to improve one of the key elements that continues to cause challenges for original brand owners, notwithstanding developments to the Trademark Law as a result of the Fourth Amendment. Each of these recommendations is discussed in more detail below.

5.3.1 Imposing serious punishment against the bad-faith actor

Amend administrative punishment powers to enable the CTMO and the TRAD to punish the bad-faith actor and agent

- It is good to see that recent administrative punishment has been applied to trade mark agents in compliance with Several Provisions on Standardising Application for Trademark Registration and Article 19 of Trademark Law, although to date the punishments have been very limited.
- It is critical to introduce higher administrative punishments against trade mark agents to create greater deterrence for agents who assist and encourage bad-faith filings, trade mark hoarding and selling marks for improper profits, thereby encouraging unfair competition behaviour that could distort the market.
- Article 15 of Administrative Penalty Law states that an 'administrative penalty shall be imposed by administrative organs that have the power of administrative penalty within the scope of their statutory functions and powers'. There are no relevant laws or regulations that provide the CTMO and the TRAD with the power to impose fines against both bad-faith actors and their agents. It is suggested that the punishment power be granted to the CTMO and the TRAD, so that they are able to impose fines along with the refusal of applications or the invalidation of registrations, in a timely manner and properly based on an identified degree of bad faith.
- Detailed implementation guidelines should be developed, such as the recognition of bad faith, the types and creation of the administrative penalty, the difference in punishment issued by the CTMO, the TRAD and the SAMR.

Set up collective punishment mechanism for bad-faith actors and their agents using security deposit accounts at the CNIPA

- Article 18 of China Trademark Law provides that matters concerning applications for trade mark registration or other issues in connection with trade marks may be handled independently, or a qualified trade mark agency that has been established in accordance with laws may be entrusted. Foreigners and foreign enterprises applying for the registration of a trade mark or handling any other trade mark matters in China are required to engage and authorise a qualified trade mark agency. It is recommended that domestic applicants should be regulated to the same standards as foreign applicants and should be required to use a qualified trade mark agency.
- It is further recommended that accounts be set up for security deposits in the CNIPA for all trade mark agencies. These accounts do not already exist. Trade mark agents would need to deposit a minimum amount in the deposit account. If an applicant filed an application in bad faith and it was rejected on the basis of bad faith, the bad-faith actor and their agency should be punished together with a fine. The fine would be deducted from the agency's security deposit.

Increase in fines

- It is believed that the increase in fines is very necessary given the growing seriousness of bad-faith filings that create barriers to entry for original brand owners in China. Although Article 68 of China Trademark Law has increased the fine imposed to between CNY 10 000 and CNY 100 000 (EUR 1 300 to EUR 13 000), increased from up to CNY 10 000 (EUR 1 300), or up to CNY 30 000 (EUR 3 900) if with improper profits, as provided in the old measures in 2009), the fines still need to be increased.

Use of blacklist

- It is understood that there is an unofficial blacklist of bad-faith actors and agents, internal to the CTMO and the TRAD. Setting a high and practical deterrence to bad-faith actors, by publishing an official bad-faith blacklist, listing, inter alia, any fines or other punishment already applied to the actors and agents is recommended. If there are repeated violations, a blacklisted actor or agent may be banned from applying for new trade marks for a period of time. As the idea of a blacklist has been discussed regularly within China and the different agencies already collate much of the information that would be included on a blacklist, this is a realistic recommendation that could be adopted.
- The challenge with the current publications relating to bad-faith actors is that the information is dispersed across a number of different locations, is hard to identify and is not always consistently published. Therefore, if the CNIPA can collate all the information from different sources and publish consistently in one place, it would be much easier to check whether an agent has any penalty decisions. Fewer people would use agents that were deemed to have acted in bad faith, reducing the viability of bad-faith activity and thereby creating a deterrence.

5.3.2 Suspension for the refusal appeals with citations that are filed in bad faith

Review the refusal appeal cases with suspension request

- The citations that are filed in bad faith should be claimed in the refusal appeal arguments. Moreover, the suspension request should be submitted together with the refusal appeal.

Check the status of citations

- For the majority of the refusal appeal cases, the applicant needs to remove the prior obstacles by filing oppositions, invalidations or non-use cancellations against the prior trade marks or purchasing the prior trade marks, all of which are either examined by the CTMO or the TRAD itself. Therefore, due to the interconnected nature of the processes between the organisations, if the applicant requests a suspension for the refusal appeal, it is advisable for the TRAD to consider this request.
- The TRAD should check the status of the citations and determine whether the refusal appeal cases should be suspended. If the applicant of the refusal appeal has requested to suspend the case, the applicant has taken actions against the citations at the same time or before filing the refusal appeal claiming that the citations were filed in bad faith, and on the face of it those claims of bad faith are not unfounded, then it is strongly recommended that the TRAD suspend the refusal appeal and wait for the results of the examination of the citations. If the above conditions cannot be met, it is reasonable for the TRAD to ignore such a request and continue with the examination.

- This will significantly reduce the necessity for the applicant to re-file the applications for the trade mark applied for (since their current ones are pending refusal appeal). It will save time and costs for the applicants. It will also reduce the filing numbers for the new applications, which will eventually reduce the burden on the CTMO's side for examining new applications and the following refusal appeals for the re-filed trade marks. This could create a virtuous cycle for trade mark filing.

Expedite the examination of the pending cases regarding the citations

- If the citations are filed in bad faith and the applicant has taken actions against the citations, the TRAD examiner in charge should notify the relevant department of the CTMO or the TRAD to expedite the examination of the pending cases regarding the citations.
- The applicants should update the status of the citations to the TRAD if they have received the decisions. It will also shorten the suspension period for the refusal appeal.

The above actions will greatly improve the overall examination speed for the refusal appeals and the related cases.

5.3.3 Reintroduce the regulation of trade mark agents

Introduce professional thresholds for trade mark agents

- The CNIPA should introduce professional thresholds for trade mark agents, such as increasing the requirement for a legal background at bachelor's degree level or above, recognising that trade mark agents are part of the legal profession, and re-introducing a trade mark agent examination for trade mark attorney candidates.

Strengthen Supervision

- The SAMR and the CNIPA should strengthen the supervision of trade mark agencies and establish a 'Trade Mark Agency Database', 'Trade Mark Agency Supervision Files' and 'Trade Mark Agency Credit Files' to record the basic information, changes, rewards and punishments of the trade mark agencies. Moreover, the information needs to be published in a timely manner so that it is available for the public to inspect.

5.3.4 Introduce use requirements to maintain registration

Introduce the requirement of use evidence to maintain registrations

- In most countries, trade mark registrants will face use requirements at some point in the life of a trade mark. In the EU and the UK, there are no requirements to demonstrate use of a trade mark to obtain or maintain a trade mark registration. However, in the opposition and infringement proceedings, the registrant needs to prove use of the mark that has been registered for more than 5 years in order to enforce. In addition, most countries, including China, have procedures that enable any third parties to cancel a mark based on non-use once the mark has been registered for more than 3 years.
- Given that there are a large number of registrations for squatting or hoarding existing on the registry, reactive cancellation of these registrations only on application by an interested third party is far from sufficient. Introducing an active requirement on all trade mark registrants to submit use evidence to maintain the registrations will effectively shift the burden onto them, rather than relying on the market to cancel on the basis of non-use.

Implementation of post-grant requirement of use evidence

- Taking the use requirement by the United States Patent and Trade Mark Office (USPTO) as an example, the registrant is required to file further proof of use for the US registration to be maintained 5 years from grant. The registration will be approved for renewal supported by further proof of use⁽³⁰⁾. If the CTMO is to adopt post-grant requirement of use evidence, it should learn from the USPTO's practice.
 - a. The registrant is required to submit use evidence within 5 years from grant.
 - b. The registrant is required to submit use evidence before 10 years from grant or within a 6 months grace period (i.e. on renewal and in order for the renewal to be accepted). This requirement would also repeat for each subsequent renewal.
 - c. Failure to submit use evidence will lead to cancellation of the whole registration or that part of the registration in relation to which no evidence of use has been provided. This also has the beneficial effect of narrowing trade mark registrations, paring them back to just those goods and services for which they are used.
- The recommendation is that demonstrating use be required in China 3 years from grant rather than 5 years and, after that, following the timelines set out by the US. This will achieve the desired effect of tackling bad-faith actors more quickly, whilst protecting the original brand owner who has a real intention to use by providing sufficient time for operation and use of the trade mark to avoid being 'accidentally injured'. Introducing use requirements in China will definitely result in a less crowded trade mark registry and pave the way for straightforward registrations for those brand owners who have a real intention to use; and save the costs and efforts of filing non-use cancellations.

5.4 Recommendations regarding transformation

Transformation of marks to resemble others' brands has been difficult for both authorities and brand owners. Although most transformed marks fall under Articles 4, 30 or 44 of the China Trademark Law, and can be disapproved/invalidated based on these articles, the key issue concerning transformed marks is the difficulties in identifying them as transformed marks.

The following recommendations will be helpful to increase the rejection rate of transformed marks during the examination stage.

- Using AI to compare the visual appearance and pronunciation of the marks during the initial examination stage so as to better identify the original brand owners' marks that are being imitated.
- Creating a pool of typical transformations of marks and arranging proper training for examiners.
- Better awareness training for the examiners and requesting them to pay more attention to some specific types of transformation such as Type 3 (copying a brand but using the letters in reverse order) and Type 6 (copying other's marks by using similarly pronounced letters), where the supporting rate of oppositions/invalidations are much lower than other types of transformed mark.
- Adding complaint letters as a formal proceeding and improving the examination of complaint letters (e.g. providing a formal response to brand owners upon the completion of the

(30) 1946 Lanham Act as amended https://www.uspto.gov/sites/default/files/documents/trademark_rules_statutes_2013-11-25.pdf

examination of a complaint letter). If the letter is not supported by the examiner, the reasons should be provided; adding the applicants of BFTMs and the sample of the transformed mark into a blacklist so that their future applications will receive stricter scrutiny; and lowering the threshold for similarities of the marks and recognition of bad faith if the application is a transformed mark.

- Making clear statements in the opposition/invalidation decisions if the marks are indeed transformed marks, marking the applicant in the system so that examiners will pay more attention in terms of transformation when reviewing the same applicant's future applications.

5.5 Recommendations regarding WKTM recognition

5.5.1 Draw a clear line between WKTM and BFTM – they are strictly unrelated

Under the current practice, the CTMO has been balancing the well-known trade marks approach and the bad-faith approach when deciding cases. These two approaches are totally different aspects of trade mark protection.

Well-known trade marks recognition protects marks with a high reputation that are widely known by the public in commerce. Recognition is merely based on the cited mark's reputation and all supporting evidence is related to the brand owner. Therefore, whether the disputed mark was filed in bad faith is not a deciding factor for recognising the well-known trade mark. The Fourth Amendment enhanced the provisions to tackle bad faith, which is decided by the nature of the trade mark and the broader behaviour and intentions of the applicant. Well-known trade mark recognition should not affect the bad-faith recognition under the Fourth Amendment, and vice versa.

Based on the clear difference of stipulated purposes and the supporting evidence between the articles for well-known trade marks and the ones for a bad-faith claim, it should be a matter of principle that the examiners can rule the cases by both provisions as long as the brand owners submitted sufficient solid evidence to prove both aspects.

In the great example of the 'BENTLEY' case as mentioned earlier, the examiners analysed all submitted evidence, commented on each claim raised by the brand owner, and decided the case by basing it both on the well-known trade marks and bad-faith Articles. Although the Fourth Amendment of Trademark Law emphasised the bad-faith provisions, the well-known trade marks articles remain unchanged, meaning the examiners should apply the articles of well-known trade marks wherever necessary as before.

It is therefore recommended to specify the relation between WKTM and BFTM in both the Implementing Regulation of the Trade Mark Law and SPC's judicial interpretation so that these two approaches can be applied in a more harmonious way.

5.5.2 The State Administration for Market Regulation (SAMR) publishes more detailed and specific guidelines to help the TM owners better prepare for cases with WKTM claims

There is no clear standard for recognising well-known trade marks. There is not even an official website, or documents in circulation, that acknowledge which marks have been recognised.

Experience indicates that the most persuasive evidence to demonstrate the well-known status of a trade mark is sales and advertising expenditure created in the previous 3 years (for the registered mark) or 5 years (for the unregistered mark) to the matter in dispute.

As previously mentioned, the Implementing Regulations provide more detailed information about the evidence needed by brand owners to prepare for well-known trade mark recognition. However, the

regulations do not clearly limit or specify the manner in which the evidence is provided, such as whether the evidence must be submitted on paper, or whether the sales records relating to Chinese consumers shopping overseas via the internet can be accepted, etc.

With the development of new technologies and business modes, and brand owners exploiting different sales and promotional channels and methods (e.g. through official website online sales, advertising in social media instead of the traditional approaches of sales in retail stores, advertisement on TV or brochures) traditional evidence (e.g. corresponding paper sales contracts and invoices, or the specific sales records in mainland China) becomes harder for the brand owners to collect and submit.

In addition, more and more companies have grown incredibly quickly and developed branded products that are widely known by the Chinese public and have earned high reputations in the marketplace in a very short time. These kind of brand owners may have difficulty obtaining evidence for a full 3 year period, and so the submitted evidence may be regarded as insufficient to prove the well-known trade mark status required by the examiners. This ignores the modern world of technology and commerce where a mark can become well-known in a very short space of time and across various countries (even globally).

Therefore, the CTMO and the TRAD should take new ways of conducting business into consideration and publish more detailed and specific guidelines for brand owners to follow.

5.5.3 WKTM Article should also protect somewhat similar trade marks (those not confusingly similar) covering similar goods

Article 30 is insufficient to protect trade mark owners from transformed trade marks that are not sufficiently similar to the genuine trade marks but covering similar goods/services, even though such transformed trade marks might dilute the distinctiveness of the genuine trade marks and disturb the business of the genuine trade mark owners. Therefore, a claim of WKTM can play an important role if Article 13 can be applied in these cases. Enabling the CTMO and the TRAD to reject such bad-faith transformed trade marks on the basis of WKTM, and therefore, effectively eliminate the negative influence on the genuine trade mark owner's business operation in the marketplace, would be a positive development.

In this regard, it is recommended that the CNIPA publish guidance to clearly establish that the protection of WKTMs can extend to marks applied for or registered in relation to similar goods/services, where those marks take unfair advantage of the reputation of the original brand owner.

Annexes

- Annex I: China Trademark Law – Comparative Table of the Articles Analysed in This Study
- Annex II: Laws, Regulations and Guidance Analysis
- Annex III: Changes in the Structure of the Trade Mark Authorities
- Annex IV: Questionnaire Results
- Annex V: Interview Results
- Annex VI: EUCCC Position Papers, EU Comments and IP Key Workshop – Stakeholder Comments and Recommendations

Annex I

China Trademark Law – Comparative Table of the Articles Analysed in This Study

Comparisons between the Trademark Law of the People's Republic of China (2019 Amendment) and Trademark Law of the People's Republic of China (2013 Amendment) (blue text indicates changes, red text indicates newly added Articles)	
Trademark Law of the People's Republic of China (2013 Amendment)	Trademark Law of the People's Republic of China (2019 Amendment)
Article 4: Any natural person, legal person, or other organisation needing to acquire the right to exclusively use a trade mark on the goods or services thereof in the course of business operations must apply to the Trademark Office for trade mark registration.	Article 4: Any natural person, legal person, or other organisation needing to acquire the right to exclusively use a trade mark on the goods or services thereof in the course of business operations must apply to the Trademark Office for trade mark registration. A bad-faith application for trade mark registration for a purpose other than use will be rejected.
Article 10: The following marks must not be used as a trade mark: <ol style="list-style-type: none"> 1) a mark identical or similar to the country name, national flag, national emblem, national anthem, military flag, military emblem, military anthem, military medal, etc. of the People's Republic of China, and a mark identical to the name and logo of Central government agencies, the name of the specific location where it is located or the name or figure of a landmark building; 2) a mark identical or similar to the country name, national flag, national emblem, military flag of a foreign country, except with the consent of the relevant government; 3) a mark identical or similar to the name, flag, emblem of an international inter-governmental organisation, except with the consent of the relevant organisation or where the public is unlikely to be misled; 4) a mark identical or similar to an official logo or hallmark that indicates control or assurance, except where duly authorised; 5) a mark identical or similar to the name or logo of the 'red cross' or 'red crescent'; 6) a mark that is racially discriminatory; 7) a mark that is deceptive, will easily cause the public to be misled over the characteristics such as quality or place of origin of commodities; or 8) a mark that is detrimental to socialist morals or has any other adverse impact. <p>Geographical names of administrative regions of county level and above or overseas geographical names well known by the public must not be used as trade marks, except where a geographical name has any other meaning or where it is an integral part of a collective trade mark or certification mark. Trade marks bearing a geographical name that have already been registered will continue to be valid.</p>	
Article 13: Where the holder of a trade mark that is well known by the relevant public is of the view that its rights are infringed upon, it may request protection of the well-known trade mark pursuant to the provisions of this Law. <p>An application for registration of a trade mark that is a replication, imitation or translation of another's well-known trade mark not registered in China for use on identical or similar commodities that is easily misleading will not be registered and the use of such a mark will be prohibited.</p>	

Comparisons between the Trademark Law of the People's Republic of China (2019 Amendment) and Trademark Law of the People's Republic of China (2013 Amendment) (blue text indicates changes, red text indicates newly added Articles)	
Trademark Law of the People's Republic of China (2013 Amendment)	Trademark Law of the People's Republic of China (2019 Amendment)
An application for registration of a trade mark that is a replication, imitation or translation of another's well-known trade mark already registered in China for use on non-identical or non-similar commodities that is misleading to the public and may cause harm to the interests of the trade mark registrant of the said well-known trade mark will not be registered and the use of such a mark will be prohibited.	
Article 15: Where an agent or a representative register the trade mark of its principal in its own name without authorisation, and the entrusting party raises an objection, the trade mark will not be registered and the use of such a trade mark will be prohibited.	
For an application for registration of a trade mark that is identical or similar to an unregistered trade mark that has been used by another person for use on the same type of commodities or similar commodities, where the applicant is aware of the existence of the trade mark due to contractual or business relationship or any other relationship with such person other than those stipulated in the preceding paragraph, and such person has raised an objection, the application will not be approved.	
Article 19: Where a trade mark agency knows or should have known that a client's trade mark registration application falls under any circumstances as described in Articles 15 and 32 of this Law, it may not accept the client's authorisation.	Article 19 Where a trade mark agency knows or should have known that a client's trade mark registration application falls under any circumstances as described in Articles 4 , 15 and 32 of this Law, it may not accept the client's authorisation.
Article 30: A trade mark to be registered that does not comply with the relevant provisions of this Law or the subject matter trade mark which is identical or similar to a trade mark registered by others for the same type of commodities or similar commodities or a trade mark preliminarily validated will be thrown out by the trade mark bureau and will not be gazetted.	
Article 31: Where two or more applicants for trade mark registration apply for registration of an identical or similar trade mark for the same type of commodities or similar commodities, the earlier trade mark registration will be preliminarily validated and gazetted; where the trade mark registration applications are submitted on the same day, the trade mark that has been used earlier will be preliminarily validated and gazetted, and the other applications will be thrown out and will not be gazetted.	
Article 32: Trade mark registration applications must not harm existing prior rights of others, use of improper means to forestall registration of a trade mark that is in use and has certain impact will not be allowed.	
Article 33: For a preliminarily approved and published trade mark, within 3 months from the date of publication, a prior rights holder or an interested party that believes that paragraph 2 or 3 of Article 13, Article 15, paragraph 1 of Article 16, Article 30, Article 31, or Article 32 of this Law is violated or any person who believes that Articles 10, 11, or 12 of this Law is violated may file an opposition with the Trademark Office. If no opposition has been filed upon expiry of the publication	Article 33: For a preliminarily approved and published trade mark, within 3 months from the date of publication, a prior rights holder or an interested party that believes that paragraph 2 or 3 of Article 13, Article 15, paragraph 1 of Article 16, Article 30, Article 31, or Article 32 of this Law is violated or any person that believes that Articles 4 , 10, 11, or 12, or paragraph 4 of Article 19 of this Law is violated may file an opposition with the Trademark Office. If no

Comparisons between the Trademark Law of the People's Republic of China (2019 Amendment) and Trademark Law of the People's Republic of China (2013 Amendment) (blue text indicates changes, red text indicates newly added Articles)	
Trademark Law of the People's Republic of China (2013 Amendment)	Trademark Law of the People's Republic of China (2019 Amendment)
<p>period, the registration will be approved, a certificate of trade mark registration will be issued, and the registered trade mark will be published.</p>	<p>opposition has been filed upon expiry of the publication period, the registration will be approved, a certificate of trade mark registration will be issued, and a publication will be made.</p>
<p>Article 44: Where a registered trade mark violates Articles 10, 11, or 12 of this Law, or its registration was acquired by fraud or any other illicit means, the Trademark Office will declare invalidation of the registered trade mark; and any other organisation or individual may petition the Trademark Appeal Board to declare invalidation of the registered trade mark.</p>	<p>Article 44: Where a registered trade mark violates Articles 4, 10, 11, or 12, or paragraph 4 of Article 19 of this Law, or its registration was acquired by fraud or any other illicit means, the Trademark Office will declare invalidation of the registered trade mark; and any other organisation or individual may petition the Trademark Appeal Board to declare invalidation of the registered trade mark.</p>
<p>Article 63: The amount of damages for infringement upon the right to exclusively use a registered trade mark will be determined according to the actual losses suffered by the right holder from the infringement; where it is difficult to determine the amount of actual losses, the amount of damages may be determined according to the benefits acquired by the infringer from the infringement; where it is difficult to determine the right holder's losses or the benefits acquired by the infringer, the amount of damages may be a reasonable multiple of the royalties. If the infringement is committed in bad faith with serious circumstances, the amount of damages will be the amount, but not more than three times the amount, determined in the aforesaid method. The amount of damages will include reasonable expenses of the right holder for stopping the infringement.</p> <p>Where the right holder has made its best efforts to adduce evidence but the account books and materials related to infringement are mainly in the possession of the infringer, in order to determine the amount of damages, a people's court may order the infringer to provide these account books and materials; and if the infringer refuses to provide the same or provides any false ones, the people's court may determine the amount of damages by reference to the</p>	<p>Article 63: The amount of damages for infringement upon the right to exclusively use a registered trade mark will be determined according to the actual losses suffered by the right holder from the infringement; where it is difficult to determine the amount of actual losses, the amount of damages may be determined according to the benefits acquired by the infringer from the infringement; where it is difficult to determine the right holder's losses or the benefits acquired by the infringer, the amount of damages may be a reasonable multiple of the royalties. If the infringement is committed in bad faith with serious circumstances, the amount of damages will be the amount, but not more than five times the amount, determined in the aforesaid method. The amount of damages will include reasonable expenses of the right holder for stopping the infringement.</p> <p>Where the right holder has made its best efforts to adduce evidence but the account books and materials related to infringement are mainly in the possession of the infringer, in order to determine the amount of damages, a people's court may order the infringer to provide these account books and materials; and if the infringer refuses to provide the same or provides any false ones, the people's</p>

Comparisons between the Trademark Law of the People's Republic of China (2019 Amendment) and Trademark Law of the People's Republic of China (2013 Amendment) (blue text indicates changes, red text indicates newly added Articles)	
Trademark Law of the People's Republic of China (2013 Amendment)	Trademark Law of the People's Republic of China (2019 Amendment)
<p>claims of and the evidence provided by the right holder.</p> <p>Where it is difficult to determine the actual losses suffered by the right holder from the infringement, the profits acquired by the infringer from the infringement, or the royalties of the registered trademark, a people's court may award damages of not more than CNY 3 million according to the circumstances of the infringement.</p>	<p>court may determine the amount of damages by reference to the claims of and the evidence provided by the right holder.</p> <p>Where it is difficult to determine the actual losses suffered by the right holder from the infringement, the profits acquired by the infringer from the infringement, or the royalties of the registered trade mark, a people's court may award damages of not more than CNY 5 million yuan according to the circumstances of the infringement.</p> <p>The people's court that tries a trade mark dispute case will, at the request of the right holder, order destruction of goods on which a registered trade mark is falsely used, except under special circumstances; order destruction of materials and tools primarily used for the manufacture of these goods without compensation; or under special circumstances, order prohibition of the said materials and tools from entering commercial channels without compensation.</p> <p>Goods on which a registered trade mark is falsely used may not enter commercial channels even if the registered trade mark so used is removed.</p>
<p>Article 68: Where a trade mark agency commits any of the following conduct, the Administrative Department for Industry and Commerce will order it to make correction within a prescribed time limit and impose a warning and a fine of not less than CNY 10 000 but not more than CNY 100 000 on it; its directly liable person in charge and other directly liable personnel will be fined not less than CNY 5 000 but not more than CNY 50 000; and if any crime is constituted, criminal liability will be investigated.</p> <p>1) Forging or altering any legal document, seal, or signature or using any forged or altered legal document,</p>	<p>Article 68: Where a trade mark agency commits any of the following conduct, the Administrative Department for Industry and Commerce will order it to make correction within a prescribed time limit and impose a warning and a fine of not less than CNY 10 000 but not more than CNY 100 000 on it; its directly liable person in charge and other directly liable personnel will be fined not less than CNY 5 000 but not more than CNY 50 000; and if any crime is constituted, criminal liability will be investigated:</p> <p>1) Forging or altering any legal document, seal, or signature or</p>

Comparisons between the Trademark Law of the People's Republic of China (2019 Amendment) and Trademark Law of the People's Republic of China (2013 Amendment) (blue text indicates changes, red text indicates newly added Articles)	
Trademark Law of the People's Republic of China (2013 Amendment)	Trademark Law of the People's Republic of China (2019 Amendment)
<p>seal, or signature in handling trade mark-related matters.</p> <p>2) Acquiring trade mark agency business by defaming other trade mark agencies or disturbing the trade mark agency market order by other illicit means.</p> <p>3) Violating paragraphs 3 or 4 of Article 19 of this Law.</p> <p>Where a trade mark agency commits any conduct mentioned in the preceding paragraph, the Administrative Department for Industry and Commerce will record it into its credit file; and if the circumstances are serious, the Trademark Office and the Trademark Appeal Board may also decide to stop accepting its trade mark agency business, and publish it.</p> <p>A trade mark agency that, in violation of the principle of good faith, infringes upon the lawful rights and interests of clients will assume civil responsibility in accordance with the law, and the trademark agency association will, according to its bylaws, take disciplinary actions against it.</p>	<p>using any forged or altered legal document, seal, or signature in handling trade mark-related matters.</p> <p>2) Acquiring trade mark agency business by defaming other trade mark agencies or disturbing the trade mark agency market order by other illicit means.</p> <p>3) Violating Article 4 or paragraph 3 or 4 of Article 19 of this Law.</p> <p>Where a trade mark agency commits any conduct mentioned in the preceding paragraph, the Administrative Department for Industry and Commerce will record it into its credit file; and if the circumstances are serious, the Trademark Office and the Trademark Appeal Board may also decide to stop accepting its trade mark agency business, and publish it.</p> <p>A trade mark agency that in violation of the principle of good faith, infringes upon the lawful rights and interests of clients will assume civil responsibility in accordance with the law, and the trade mark agency association will, according to its bylaws, take disciplinary actions against it.</p> <p>A trademark agency that, in violation of the principle of good faith, infringes upon the lawful rights and interests of clients will assume civil responsibility in accordance with the law, and the trade mark agency association will, according to its bylaws, take disciplinary actions against it.</p>

Annex II

Laws, Regulations and Guidance

Special Action Plan for Combating Malicious Trademark Squatting

Special actions focus on combating the following trademark malicious pre-emption, conspiracy to improper interests, disrupt the order of trade mark registration management, resulting in greater adverse social impact of the behaviour:

- (1) maliciously snapping up the names of national or regional strategies, major activities, major policies, major projects or major scientific and technological projects;
- (2) maliciously grabbing attention to the words and symbols related to public emergencies such as major natural disasters, major accident disasters, major public health events and social security incidents, to the detriment of the public interest;
- (3) maliciously pre-empting major events with high visibility, major exhibition names and logos;
- (4) maliciously pre-empting public resources such as administrative division names, mountain and river names, attraction names and building names;
- (5) maliciously pre-empting public commercial resources such as the generic name and industry terms of goods or services;
- (6) maliciously pre-empting the names of public figures with high visibility, well-known works or role names;
- (7) maliciously pre-empting trade marks or other commercial marks of others with high visibility or strong significance, to the detriment of the prior rights and interests of others;
- (8) a clear violation of the prohibitions stipulated in Article 10 of the Trademark Law and other violations of public order and customs, which have a significant negative and negative social impact on China's political, economic, cultural, religious, ethnic and other social public interests and public order.
- (9) the trademark agency knows or should have known that its client is engaged in the aforesaid acts, but still accepts the client's entrustment or disturbs the order of trademark agency by any other improper means; and
- (10) other circumstances that obviously violate the principle of good faith.

Beijing High People's Court's trial guidelines for administrative cases involving the Granting and Verification of Trademark Rights

several provisions on standardising application for trade mark registration

Article 3: application for trade mark registration must adhere to the honesty and integrity principle, and must not commit the following acts:

- (1) malicious application for trade mark registration without intention of using it as stipulated in Article 4 of the Trademark Law;

- (2) replication, imitation or translation of other's well-known trade mark as stipulated in Article 13 of the Trademark Law;
- (3) an agent or representative applies to register the principal's or the represented party's trade mark without authorisation as stipulated in Article 15 of the Trademark Law; or application for a trade mark that the applicant, based on contract, business relationship or other relationship, is aware that another party is a prior user;
- (4) harm other's prior rights or pre-emptively register by unfair means a trade mark that has been used by others and has a certain influence, as stipulated in Article 32 of the Trademark Law;
- (5) application for trade mark registration by fraudulent or improper means; or
- (6) other violation of honesty and integrity principle, violation of public order and good morals, or other bad influence.

Article 4: trademark agencies adhere to the honesty and integrity principle. Where a trade mark agency is or should be aware that the entrusting party falls under any of the following circumstances, it must not accept the entrustment to apply for trade mark registration:

- (1) malicious application for trade mark registration without intention of using it as stipulated in Article 4 of the Trademark Law;
- (2) the circumstances stipulated in Article 15 of the Trademark Law; or
- (3) the circumstances stipulated in Article 32 of the Trademark Law.

Other than applying for trade mark registration as entrusted, the trade mark agency will not apply for registration of other trade mark(s), and must not use improper means to disrupt the market order of trade mark agencies.

Rules on well-known trade mark recognition and protection

Article 4: the recognition of well-known trade marks must follow the principles of case-by-case and passive protection.

Article 9: the following materials can be used as evidence stipulated in Article 14.1 of the Trade Mark Law.

- (1) Materials that prove the extent to which the relevant public is aware of the trade mark.
- (2) Materials that prove the duration of the use of the trade mark, such as documents confirming the history and scope of the use and registration of the trade mark. If the trade mark is an unregistered trade mark, it must provide materials proving the consecutive use of the trade mark for no less than 5 years. If the trade mark is a registered trade mark, it must provide materials certifying the registration of the trade mark for no less than 3 years or the consecutive use of the trade mark for no less than 5 years.
- (3) Materials that demonstrate the duration, extent and geographical scope of any publicity of the trade mark, such as the manner, geographical coverage, type of media and the amount of advertising in the last 3 years.
- (4) Materials that demonstrate that the trade mark was protected as a well-known trade mark in China or in other jurisdictions.

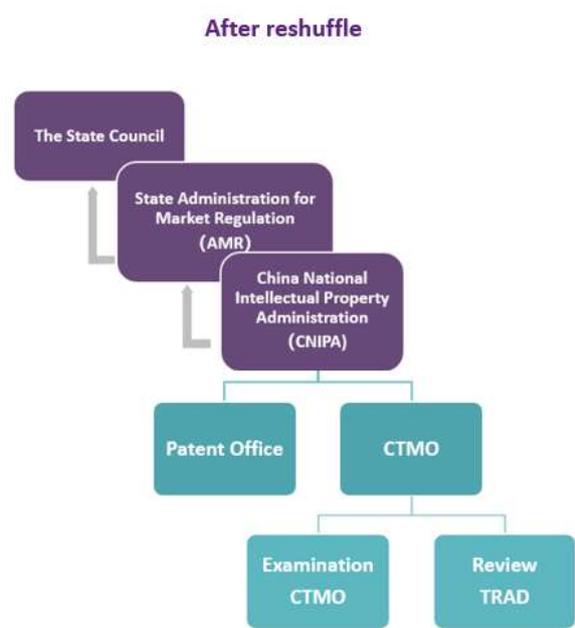
- (5) Other evidentiary materials that prove the well-known status of the trade mark, such as sales revenue, market share, net profit, tax, sales area and others of the main commodity branded with the trade mark in the last 3 years.

The term '3 years' or '5 years' as mentioned in the preceding paragraph refers to 3 and 5 years before the filing date of the opposed trade mark in opposition proceedings or the filing date of the disputed trade mark in invalidation proceedings, and 3 or 5 years before the filing date of the application for administrative enforcement actions with well-known trade mark recognition claim.

Annex III

Changes in the structure of the trade mark authorities

Name before reshuffle	Name after reshuffle
Administration of Industry and Commerce (AIC)	Administration for Market Regulation (AMR)
State Intellectual Property Office (SIPO)	China National Intellectual Property Administration (CNIPA)
Trademark Review and Adjudication Board (TRAB)	Trademark Review and Adjudication Department (TRAD)



Annex IV

Questionnaire results

The following questionnaire was developed and distributed to more than 200 key stakeholders. It was distributed by email, online promotion and WeChat. The questionnaire itself could be completed through a web interface and through a WeChat mini-program. The questionnaire was published in five languages (Chinese, English, French, German and Spanish).

The stakeholders were drawn from:

- Rouse’s substantial client and contact database of European and other MNC clients, in particular those with in-house Chinese IP counsel;
- a list of other leading law firms and trade mark practitioners;
- all lawyers within Lusheng Law Firm, Rouse’s Network Firm;
- all senior trade mark agents within Rouse.

Profile of your business

1. Where is your organization headquartered?

Options	Subtotal	Proportion
China	39	60.9 %
EU	2	3.1 %
UK	17	26.6 %
US	4	6.3 %
Asia (excluding China)	1	1.6 %
Other	1	1.6 %
Total No. of People	64	

2. In which industry(ies) does your business operate? [tick all that apply]

Options	Subtotal	Proportion
IP/Legal Services Provider	52	65.8 %
Aerospace & Defence	0	0 %
Airlines	0	0 %
Airports	0	0 %
Alcohol	0	0 %
Apparel	1	1.3 %
Auto Components	1	1.3 %
Automobiles	1	1 %
Baby Care	0	0 %
Banking	0	0 %
Beer	0	0 %
Beverages	3	3.8 %

Car Rental Services	0	0 %
Champagne & Wine	0	0 %
Chemicals	0	0 %
Commercial Services	0	0 %
Cosmetics & Personal Care	2	2.5 %
Energy	0	0 %
Engineering & Construction	3	3.8 %
Entertainment	0	0 %
Fast food	0	0 %
Food	4	5.1 %
Healthcare	1	1.3 %
Hotels	1	1.3 %
Household products	1	1.3 %
Insurance	0	0 %
IoT Ecosystem	1	1.3 %
Jewellery	1	1.3 %
Leisure & Tourism	0	0 %
Logistics	0	0 %
Luxury	1	1.3 %
Media & Publishing	0	0 %
Mining, Iron & Steel	0	0 %
Oil & gas	0	0 %
Personal Care	0	0 %
Pharma	0	0 %
Real estate	0	0 %
Restaurants	1	1.3 %
Retail	1	1.3 %
Media	0	0 %
Spirits	0	0 %
Stock Exchanges	0	0 %
Technology	0	0 %
Telecoms	0	0 %
Tobacco	2	2.5 %
Transport	0	0 %
Utilities	0	0 %
Other [please list]	2	2.5 %
Total No. of Answers	79	

3. What is your position?

Options	Subtotal	Proportion
Executive	4	6.3 %
IP/Legal Counsel	17	26.6 %
Trade Mark Specialist	1	1.6 %
Trade Mark Agent / Lawyer	41	64.1 %
Other	1	1.6 %
Total No. of People	64	

Fourth Amendment in general

4. According to your experience, what impact do you think the fourth amendment to the Trademark Law has had in dealing with bad-faith trade marks in China?

Options	Subtotal	Proportion
Very positive	18	28.1 %
Positive	39	60.9 %
Neutral	5	7.8 %
Negative	1	1.6 %
Very negative	1	1.6 %
Total No. of People	64	

Introducing bad faith as a ground for refusal

Article 4 of the Trademark Law now provides that an application for trade mark registration that is filed in bad faith and without an intention to use the mark will be rejected.

5. How effective are the new rules to support examination of trade mark applications by the CTMO and the rejection of those filed in bad faith?

Options	Subtotal	Proportion
Very effective	3	4.7 %
Effective	45	70.3 %
Neutral	12	18.8 %
Ineffective	4	6.3 %
Very ineffective	0	0 %
Total No. of People	64	

6. How effective are the new rules to support oppositions before the CTMO against trade marks believed to be filed in bad faith?

Options	Subtotal	Proportion
Very effective	7	10.9 %
Effective	41	64.1 %
Neutral	13	20.3 %
Ineffective	2	3.1 %
Very ineffective	1	1.6 %
Total No. of People	64	

7. How effective are the new rules to support invalidations before the TRAD against trade marks believed to have been filed in bad faith?

Options	Subtotal	Proportion
Very effective	12	18.8 %
Effective	42	65.6 %
Neutral	9	14.1 %
Ineffective	1	1.6 %
Very ineffective	0	0 %
Total No. of People	64	

8. Do you agree that there are now clear criteria applied by the CTMO, TRAD and Beijing IP Court when assessing whether a trade mark was filed in bad faith?

Options	Subtotal	Proportion
Strongly agree	6	9.4 %
Agree	39	60.9 %
Neutral / neither agree nor disagree	13	20.3 %
Disagree	5	7.8 %
Strongly disagree	1	1.6 %
Total No. of People	64	

9. Do you agree that the criteria are now applied consistently by the CTMO, TRAD and Beijing IP Court when assessing whether a trade mark was filed in bad faith?

Options	Subtotal	Proportion
Strongly agree	3	4.7 %
Agree	20	31.3 %
Neutral / neither agree nor disagree	27	42.2 %
Disagree	13	20.3 %
Strongly disagree	1	1.6 %
Total No. of People	64	

10. What do you think are the key criteria for determining whether a mark is applied for in bad faith? (Tick all that apply)

Options	Subtotal	Proportion
a. The similarity of the mark to existing registered marks?	51	12.9 %
b. The overall number of applications made by the applicant and/or related applicants?	52	13.1 %
c. A history of bad-faith applications or bad-faith actions in the market?	57	14.4 %
d. The repeated filing of the same mark in the same or related class?	39	9.8 %
e. The use of the mark is intended to cause confusion as to origin of the goods and to divert traffic away from the original brand owner?	55	13.9 %
f. The use of mark is intended to interfere with an existing brand owner, e.g., by blocking legitimate exports at Customs, by being used to take down listings of legitimate goods from e-commerce platforms or by being the basis for enforcement in the market?	51	12.9 %
g. Demands for unreasonable amounts of money to transfer the mark to the original brand owner?	47	11.9 %
h. Demands for a commercial relationship with the original brand owner?	36	9.1 %
i. Any other factors?	8	2.1 %
Total No. of Answers	396	

Transformation of marks to resemble other registered trade marks

11. What types of transformation of trade mark to resemble other registered trade marks have you experienced in the last five years and how often?

Options	Frequently	Occasionally	Infrequently	Never
Copying the design or styling of a brand but with completely different letters?	27(42.2 %)	21(32.8 %)	11(17.2 %)	5(7.8 %)
Copying the design or styling of a brand but with similar or similar looking letters?	46(71.9 %)	14(21.9 %)	1(1.6 %)	3(4.7 %)
Copying a brand but using the letters in reverse order?	13(20.3 %)	19(29.7 %)	20(31.3 %)	12(18.8 %)
Chinese phonetic equivalent of a Latin character mark?	34(53.1 %)	22(34.4 %)	6(9.4 %)	2(3.1 %)
Chinese translation of a Latin character mark?	34(53.1 %)	18(28.1 %)	7(10.9 %)	5(7.8 %)
Copyining equivalent of Chinese character mark?	26(40.6 %)	27(42.2 %)	8(12.5 %)	3(4.7 %)
A brand split into two parts, applied for separately, but used together to resemble the brand?	24(37.5 %)	18(28.1 %)	16(25 %)	6(9.4 %)
A combination of a mark with an existing brand or registered trade mark	39(60.9 %)	18(28.1 %)	6(9.4 %)	1(1.6 %)

12. How effective are the new rules on bad faith at dealing with the transformation of marks to resemble other registered trade marks?

Options	Subtotal	Proportion
Very effective	4	6.3 %
Effective	35	54.7 %
Neutral	23	35.9 %
Ineffective	1	1.6 %
Very ineffective	1	1.6 %
Total No. of People	64	

Recognition of WKTMs, including provisions on the likelihood of confusion

13. How important was it to have a mark recognised as well-known in order to tackle bad-faith trade marks?

Options	Subtotal	Proportion
Very important	29	45.3 %
Important	25	39.6 %
Neutral	7	10.9 %
Unimportant	3	4.7 %
Very unimportant	0	0 %
Total No. of People	64	

14. Do you think it is more or less important to have a mark recognised as a well-known trade mark to tackle bad-faith trade marks since the changes in the law?

Options	Subtotal	Proportion
Much more important	17	26.6 %
More important	28	43.7 %
Neutral	15	23.4 %
Less important	4	6.3 %
Much less important	0	0 %
Total No. of People	64	

15. Is it easier or harder for European business to have their marks recognised as well-known trade marks than Chinese businesses?

Options	Subtotal	Proportion
Much easier	0	0 %
Easier	10	15.6 %
The same	33	51.6 %
Harder	16	25 %
Much harder	5	7.8 %
Total No. of People	64	

16. The evidential burden on a trade mark owner to demonstrate that their mark is well known is reasonable.

Options	Subtotal	Proportion
Strongly agree	5	7.8 %
Agree	29	45.3 %
Neutral / neither agree nor disagree	17	26.6 %
Disagree	13	20.3 %
Strongly disagree	0	0 %
Total No. of People	64	

Possible improvement to the law

17. To what extent do you agree with the following statements?

Options	Strongly agree	agree	Neutral / neither agree nor disagree	disagree	strongly disagree
a. I am satisfied with how the trade mark system overall deals with bad-faith trade marks in China	3(4.7 %)	39(60.9 %)	11(17.2 %)	10(15.6 %)	1(1.6 %)

b. The criteria for determining bad faith are clear and are consistently applied among the CTMO, TRAD and Beijing IP Court	2(3.1 %)	20(31.3 %)	28(43.8 %)	12(18.8 %)	2(3.1 %)
c. The legal bases for rejecting applications that appear to be in bad faith are consistently applied among the CTMO, TRAD and Beijing IP Court	8(12.5 %)	37(57.8 %)	13(20.3 %)	5(7.8 %)	1(1.6 %)
d. There should be a formal process to allow trade mark owners to file observations for the CTMO to consider during examination of others' trade marks	30(46.9 %)	26(40.6 %)	5(7.8 %)	2(3.1 %)	1(1.6 %)
e. The CTMO, TRAD and Beijing IP Court should take account of how a mark is used when considering whether the application for that mark was made in bad faith	27(42.2 %)	34(53.1 %)	3(4.7 %)	0(0 %)	0(0 %)
f. There is sufficient deterrence against actors filing and using trade marks in bad faith	8(12.5 %)	21(32.8 %)	18(28.1 %)	13(20.3 %)	4(6.3 %)
g. The authorities have sufficient powers to punish bad-faith trade mark actors	13(20.6 %)	19(30.1 %)	13(20.6 %)	13(20.6 %)	5(7.9 %)
h. All trade mark owners should be required to file evidence of use during the term or on renewal of the mark in order to maintain the registration	8(12.5 %)	23(35.9 %)	14(21.9 %)	16(25 %)	3(4.7 %)
i. The examination of trade marks by the CTMO should be stayed while the applicant takes actions to remove prior cited marks applied for in bad faith	25(39.1 %)	24(37.5 %)	13(20.3 %)	1(1.6 %)	1(1.6 %)
j. The examination of trade mark refusal appeals by the TRAD should be stayed while the applicant takes actions to remove prior cited marks applied for in bad faith	26(40.6 %)	27(42.2 %)	10(15.6 %)	1(1.6 %)	0(0 %)
k. Trade mark agencies are adequately regulated to prevent their knowing involvement in bad-faith trade mark applications	29(45.3 %)	20(31.3 %)	8(12.5 %)	5(7.8 %)	2(3.1 %)

18. How else do you think the law could be improved to better tackle the problem of bad faith trade marks? [FREE TEXT RESPONSE]

1	Create blacklisting system with details of prior known bad-faith applicants
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2	Nothing.
3	1. Increase the official fees, rather than reduce the fees. 2. Request the applicant to provide preliminarily proof that the applicant has the reasonable intention to use the trade mark when filing the trade mark application.
4	Inviting blacklist system for bad-faith actors and open to public.
5	Put the trade mark squatter into their blacklist
6	Increase the official fees; Allow oral hearing in opposition/invalidation Order the party loses in opposition/invalidation/cancellation to pay for the costs of the proceeding Rule against the party whose TM is opposed or invalidated does not defend in writing with necessary grounds and proof.
7	The time limit for invalidation of registered trade marks can be extended appropriately, especially for repeated bad-faith filings.
8	Imposing specific punishments against bad-faith trade mark applicants.
9	ordering the losing party to pay legal costs
10	N/A.
11	Increasing the official fees of filing applications.
12	1. Delete Article 56. This Article is totally unnecessary and, actually, the basis for arguable decisions in OEM cases (where the SPC decided that, when the goods are exported, the trade mark is not 'used'). 2. A trade mark that is not used (3 years after the registration) should not constitute a prior right (for the procedure, see below). 3. When a trade mark application is refused by the Trademark Office on relative grounds (prior marks cited), and the applicant wishes to challenge the validity of the cited trade mark(s) for any reason (non-use, opposition, invalidation), the procedures (the registration procedure and the challenge against the cited mark) should be joined and handled together (this would be even more efficient than staying the registration procedure). 4. The bad-faith trade mark applicant/registrant should pay for the legal costs of the genuine trade mark owner. The civil claim for reasonable costs should be added to the administrative litigation. 5. The SPC judicial interpretation of 1 March 2008, which prevents a trade mark owner from suing another registered trade mark (need to invalidate first) MUST be abolished.
13	The use of one's own trade mark should not be a valid defence against infringement claims.
14	As part of the application process the applicant declares the mark is not a copy of a third party mark and financially penalised if the declaration is untrue.
15	Applicants who have been identified as bad-faith players should be prevented from filing future applications for a term to be determined. Financial penalties should be put in place including paying back the legitimate brand owner legal costs. It's simply too inexpensive for these bad-faith actors to file
16	There can be presumption of bad faith where there is a prior knowledge and the same will help to improve law.
17	Consistency and precedential value of decisions, clear guidance to examiners and applicants re. bad-faith filings.
18	Increased penalties/punishments; blacklist; transparency of trade marks registered; accept 3rd party observations.
19	Financial penalties against bad-faith filers; raise the cost of doing business.
20	Agree. Malicious prevention and correction mechanisms need to be further refined, start blacklists and invalidation announcement proactively mechanisms, and the ownership of malicious trade marks should be disposed of at the will of the right owner, such as forced assignment to the trade mark owner.
21	Administrative rules and relevant judicial interpretations on how Article 4 of the current Trademark Law is implemented could be further developed.
22	N/A.

23	<p>1. There should be clear criteria for examination.</p> <p>2. CTMO / TRAD / IP Court takes the initiative to block malicious requests in the front-end program, rather than dragging them to the final program. Otherwise, the cost of maliciousness is too low, the cost of defending rights is too high.</p> <p>3. Increase official fees.</p>
24	Clarify the standard for bad faith.
25	Increase official fees while the cost for bad-faith application.
26	<p>1. It should be required to submit evidence of use for large-number trade marks applicants in the application stage.</p> <p>2. In opposition or invalidation cases, if the opposed party or the respondent is unable to provide a reasonable source of the opposed trade mark or the disputed trade mark, the BF of the opposed party / respondent may be directly determined.</p> <p>3. Regular announce list of the opposed parties / respondents found to be bad faith in the case of opposition and invalidation, and consider directly rejecting the trade mark registration application submitted by these subjects.</p>
27	Enhance penalty against the bad-faith actor.
28	There should be clear requirements for the use of evidence, increase the control and punishment to bad faith of applicants and unscrupulous agencies, establish a blacklist system. Reject directly those applicants who submit repeatedly in order to save administrative resources.
29	Increase supervision and trade mark agent qualification requirements, while enhancing the crackdown to malicious applications, to prevent them from setting up a number of companies for decentralised, malicious registration.
30	Pull trade mark-snatchers into the blacklist
31	It is hoped that the BF applications can be considered by diversified, not just consider the numbers; from the practical point of view, from the perspective of the general consumer and public interest, non-dogmatic copy of the law and examination standards; the criteria to judge maliciousness should be determined from that whether it really infringes the TM owner's / public's rights and interests.
32	<p>1. The criteria for judging 'malicious trade marks' should be fully refined, clarified, published and kept up to date, and should be consistently applied by CTMO, TRAD and the courts.</p> <p>2. CTMO, TRAD and the courts should appropriately relax the criteria when determine 'the presence of bad faith' and consider the manner and circumstances of the malicious intent in a comprehensive manner.</p> <p>3. Subjects and individuals identified in previous cases as malicious should establish 'bad-faith' labels to facilitate the subsequent applications of stricter standards for trade marks applied for registration by them and their affiliated enterprises and individuals, and to reject their bad-faith applications.</p>
33	It is hoped that there will be clearer criterias or rules to be used for the applications of the executive department and the courts.
34	In addition to the existing opposition and invalidation procedures, it is hoped that the CTMO will continue to implement the process that the Integrated Services Department accept complaints of bad faith together, then assign them to specific examination offices, and to call applicants after processing.
35	Make good use of the existing provisions, play a good role in clauses of well-known recognition trade mark, cross-category identification of similar trade marks, registration on bad faith and earlier trade mark. Clear bad-faith standards, but not abused. Penalties should be imposed upon determination of bad faith.
36	Strengthen multilateral communication between rights owners, administrative bodies, the judiciary and legislative bodies
37	Necessary!
38	To include the trade mark malicious registration action into the scope of civil legal relationship adjustment, for this behavior, the court may request the relevant applicant to stop the malicious behavior, and compensate for the loss.

39	If bad-faith registered trade mark can lead to legal consequences in the form of fines or job loss and the trade mark department enforce the law strictly, there should be few people who would like to imitate the famous brand.
40	It would be nice to see the issue of eradicating malicious trade marks through law amendments.
41	Strengthen the punishment for behaviour of bad faith.
42	The examination standards of the bad-faith trade mark registration should be harmonised between CTMO, TRAD, courts as soon as possible.
43	The court should give more consideration to the bad-faith trade mark registration when examining cases.
44	Agree to increase the clampdown to bad-faith trade mark applications from legislation.
45	Always need to view whether there is any need to improve the law by reviewing the bad-faith situation using dynamic view.
46	Very necessary!
47	I think that more attention should be paid at this stage to the cultivation of examiners and judicial personnel than the improvement of the law itself, in order to unify the scale of adjudication and increase the accuracy of decisions.
48	Strengthen the handling of bad-faith trade marks at the administrative law enforcement level
49	Under certain circumstances, the right owner is entitled the right to claim compensation from the malicious applicant, and in certain circumstances, the administrative regulatory authority should be given the right to punish the malicious applicant.
50	Agree!
51	I think we can make further progress.
52	Increase penalties, increase the cost of breaking the law, and stifle malicious applications.
53	CTMO should be more proactive in responding to malicious applications.
54	There's no better idea for the time being.
55	Can you set up a blacklist system for malicious applicants? For example, if an applicant is found to be bad-faith for three times, then blacklist them, within 5 years may not apply for trade marks registration or assignment.
56	Increase penalties for malicious applicants.
57	Do further amendments and improvement of the law.
58	1. Increase the costs of applying for a bad-faith trade mark, such as the legal costs of the real owner of the brand (including but not less than full payment of the official fees and legal fees of the brand owner to against BF trade mark in the legal proceedings of invalidation, cancellation etc.). 2. Establish the blacklist system for BF trade mark applicants, reject their applications in registration stage of CTMO.
59	In order to avoid the problem of bad-faith registration, professional bad-faith trade mark agencies often use different subjects to make trade mark applications. For the case which can proof relevant relationship between different trade mark applicants, the number of trade mark applicants should be calculated cumulatively, to determine bad faith with a comprehensive view.
60	Yes
61	No
62	Agreed
63	Maybe we have to consider whether two competitors can work in the market with the same brand of 'their'... This may bring some evidence.
64	No suggestions

Annex V

Interview results

As part of the background research to this report, a series of interviews with trade mark experts from a variety of law firms, trade mark agencies and multinational companies based in China and overseas were conducted. Below is a summary of the key opinions and suggestions that were provided.

Interviewee	Fourth Amendment in general	Introducing bad faith as a ground for refusal	Transformation of marks to resemble other registered trade marks	Recognition of WKTMs, including provisions on the likelihood of confusion	Possible improvement to the law
<p>INTERVIEWEE 1 (Partner and Attorney-at-Law)</p> <p>Panawell & Partners (China)</p> <p>Intellectual Property Attorneys</p>	<p>Positive. Sends a strong, clear message.</p> <p>Will improve awareness of use and function of trade mark - better for trade mark uses.</p> <p>We expect to see more victories in the future.</p>	<p>We do not see any obvious changes to opposition and invalidation success.</p> <p>We will only recommend opposition and invalidations if our chances of success are over 75 % (based on evidence and grounds).</p> <p>One of the biggest challenges is evidence.</p> <p>Concern with consistency and experience of trade mark examiners as unable/unwilling to acknowledge obvious bad-faith filings.</p>	<p>The law does not cover all forms of bad faith. Certain bad-faith acts and behaviours, which are not fair, should be recognised and not be allowed to get around the law.</p> <p>There is still use of words or logos to imitate others (and take advantage of the fact they are not registered on all similar goods).</p>	<p>It would be great if examiners could provide clearer guidelines.</p> <p>Different examiners have different criteria. They grant the cross-class protection.</p> <p>If BFTM found elsewhere, then the evidence required should be less / broader protection.</p> <p>Maybe focus more on unfair competition.</p> <p>It seems that the CTMO is seeking to reducing burden re recognition of WKTMs.</p> <p>Frustration with collection of evidence (too burdensome).</p> <p>Not as important to be recognised as WKTMs now.</p>	<p>More could be done to take a holistic/comprehensive approach - to protect original brand owners.</p> <p>Need to see cost of applications to increase. It is too cheap. We should give more burden.</p> <p>The losing party need to bear the attorney fees and the official fees.</p> <p>Examiners need more time. They could be tired.</p> <p>It would be good to have public hearings and allow oral examination.</p> <p>Attorneys need to be punished for bad behaviours (as well as applicant). There is not enough deterrence.</p> <p>A blacklist would be helpful.</p> <p>Examiner should do their job better - stop infringement.</p> <p>Freeze BFTM from being assigned to someone else.</p>

<p>INTERVIEWEE 2 (Partner)</p> <p>INTERVIEWEE 3 (Partner)</p> <p>Wan Hui Da Intellectual Property Agency - Wan Hui Da Law Firm (China)</p> <p>Intellectual Property Attorneys</p>	<p>The number of applications has increased, whereas the number of marks registered has decreased. This means it is becoming difficult to maintain rights. Believe that examiners are becoming more careful.</p> <p>Trade mark hoardings is based on a calculation by bad-faith actors. If there is not risk, or cost to the bad-faith actor then why stop, as the potential for profit is large.</p>	<p>Interesting to compare invalidation rates between years. They were 67 % in 2020, and 73 % in 2021.</p>			<p>Court to accept civil claim to reimbursements.</p> <p>Need to ensure that the bad-faith actor has to defend their actions.</p> <p>Combine all related cases into one matter to simplify the process.</p> <p>Suspend/stay the process so that the results of other related matters can be concluded.</p>
<p>INTERVIEWEE 4 (Senior Attorney)</p> <p>Zhongwen Law Firm (China)</p> <p>Law Firm</p>	<p>Generally positive.</p>	<p>The CNIPA needs to release detailed implementation rules and regulations so that we can see under what circumstances the examiner can raise a questions and issue and examination opinion.</p>	<p>We have encountered a number of situations where letters have been divided in order to evade refusal at application stage.</p>		<p>Develop a blacklist.</p> <p>The rights holders should be compensated for the cost of defending their rights against bad-faith actors and for loss of rights protection.</p> <p>Don't let the bad-faith actors profit from their bad-faith acts.</p> <p>Allow direct settlement in administrative procedures.</p>
<p>INTERVIEWEE 5 (Team Leader Trade marks / Brand Protection • Group Legal, IP & Compliance)</p> <p>BRITA GmbH (EU)</p> <p>Water Filters and Water Filter Systems</p>	<p>The TRAD appears to be more sophisticated than the CTMO in its assessment of cases. It is more effective to file an appeal with the TRAD</p> <p>Pleased to hear that the CTMO will accept and consider arguments submitted at the application stage.</p>			<p>Still important to Brita to obtain protection in other classes.</p>	<p>Higher penalties and punishments are required against bad-faith actors.</p> <p>Develop a blacklist.</p> <p>More transparency. Publish all results with clear explanations.</p>

<p>INTERVIEWEE 6 (Trade Mark Counsel)</p> <p>BATMark Ltd (UK)</p> <p>Tobacco</p>	<p>Pleased to hear that the CTMO will accept and consider arguments submitted at the application stage.</p> <p>Consistency of decisions is a challenge. A number of trade mark applications have been refused. Ultimately it comes down to the individual knowledge and experience of the examiner.</p>	<p>Bad-faith acts of bad-faith actors very obvious. Bad-faith actors also targeting tobacco brands of other companies. Three related companies have over 200-300 registrations,</p>		<p>Still important to BAT. Currently seeking WKTm recognition to fend off bad-faith trade marks in a number of classes.</p> <p>Challenge is demonstrating BATS tobacco brands are well-known when they cannot sell them in China due to market access issues.</p>	<p>Would like to see costs awarded to brand owners that have taken action against bad-faith actors.</p> <p>Financial penalties would be a good deterrence.</p>
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Annex VI

EUCCC Position Papers, EU Comments and IP Key Workshop – Stakeholder Comments and Recommendations

EU Comments, 31 July 2018

Comments of the EU Delegation for the revision of the Chinese Trademark Law (31 July 2018)

After consulting with European stakeholders, the EU Delegation submitted comments for the sake of improvement of a revised Chinese Trade Mark Law. They were divided into general and specific comments. Specific references and recommendations related to the problem of bad-faith trade marks were as follows.

Introducing bad faith as a ground for refusal

- All opposition decisions should be made appealable to the TRAD.
- It is necessary to absorb the ‘principle of good faith’ as a specific Article that can be used in opposition and invalidation procedures. This will increase the flexibility to defeat the bad-faith application. It is therefore suggested that the principle of good faith should be set as a specific Article that can be used in opposition and invalidation cases.
- The same contradictory principle should also govern opposition cases (Article 33).
- Consider the possibility of allowing the applicant for invalidation of a TM filed in BF to request, as an alternative, the transfer of the TM to its own name (thus benefitting the advantage of the prior date).
- All filing information and official decisions (from the CTMO, the TRAD and the courts) should be publicised very promptly, creating a fair environment for the public to check and use the information. All TM information of the Chinese database should be integrated into available, free-to-use global database systems for consultation⁽³¹⁾.
- Publish all decisions based on bad faith, in order to constitute a ‘blacklist’.
- If there is solid evidence to prove that a person or company has maliciously and pre-emptively registered another party’s ‘main’ trade mark, the person or company’s other pre-emptively trade mark registrations (e.g. registrations for other less-well-known sub-brands or serial brands) related to the same party should also be rejected.
- Where a registered trade mark is cancelled, declared to be invalid, or not renewed upon expiry, the Trademark Office should, within 1 year from the date of cancellation, declaration of invalidation, or expiration, approve no application for registration of a trade mark identical with or similar to the trade mark **from the same owner**.

⁽³¹⁾ China announced on 19 May 2021 that it has joined TMview, the EU Intellectual Property Office’s free TM search engine. Over 32 million Chinese trade marks are now available in the TMview information tool to any European and global IP users to search free of charge. The EUIPO is the first IP office with which the CNIPA has shared its trade mark data.

Transformation of marks to resemble other registered trade marks

- When a registered trade mark, when modified in actual use, becomes an infringing sign affecting the rights of another trade mark, the administrative measures provided by Article 49.1(1) are totally ill-adapted and inefficient. What is needed, is the possibility for the victim of the infringement to file, with the TRAB, an application for invalidation of the registered trade mark. This should be added into the law.

Recognition of WKTMs, including provisions on the likelihood of confusion

- The threshold in order to be recognised as a reputed mark is another issue that needs to be better addressed. The actual threshold in order to be recognised as a well-known trade mark seems too high to allow for an adequate protection.
- This Article should, therefore, be modified by deleting the words 'dissimilar' and 'mislead' (which implies a meaning of confusion), and stating that a well-known trade mark should be protected against the risk of association.

Possible improvement to the law

- All filing information and official decisions (from the CTMO, the TRAD and the courts) should be publicised very promptly, creating a fair environment for the public to check and use the information. All trade mark information of the Chinese database should be integrated into available, free-to-use global database systems for consultation.
- Award special and higher damages when a decision is based on bad faith.
- In opposition and invalidation cases the losing party should be liable for the winning party's expenses.
- It is suggested that the internal blacklist be publicised and associated with the pirates' credit in the banking system and the Top 10 shopping platforms (e.g. Tmall, Alibaba's, JD and Amazon), to share the information and make piracy riskier or embarrassing, to deter piracy more effectively.
- The possibility of obtaining damages from infringers should be added into the law.
- When a trade mark is invalidated, the courts reject the claim for damages corresponding to the period of use that elapsed before the invalidation decision, considering that, before the invalidation, the infringer 'had the right to use' the infringing trade mark.
- Allow one to sue a registered infringing trade mark, to be able to obtain compensation corresponding to the period pre-invalidation.
- Raise the fees for trade mark application to at least the previous level.
- It is advisable to allow a contradictory procedure to be applied in non-use cancellation cases. The same contradictory principle should also govern evidence cases (Article 33).
- Non-use cancellation procedure is too difficult and takes too long. Introduce contradiction at the 1st instance level. Impose a strict application of time limit for producing evidence of use. If no evidence is submitted within the prescribed time, revocation must be final. Impose financial consequences (must pay for the cost of procedure).

- It is suggested that the conflict between an applied trade mark and a cited trade mark be resolved in one procedure before the TRAB:
 - 1) the TRAB notifies the owner(s) of the cited trade mark(s) to participate in the review procedure;
 - 2) if the cited trade mark does not file an appearance, the mark is ignored;
 - 3) if the cited trade mark owner participates in the procedure, the refused trade mark applicant is allowed to file a claim against the cited trade marks, such as:
 - a) the cited trade mark was filed in bad faith,
 - b) the cited trade mark has not been used during the last 3 years,
 - c) the cited trade mark was not distinctive, or not well-known when the refused trade mark was filed (in the EU this is called the 'intervening right').

EUCCC Position Paper (2019-20)

EUCCC – IPR Working Group – Position Paper 2019-20

The European Business in China Position Paper 2019/2020 represented the views of the European Union Chamber of Commerce in China. It's working groups, fora and more than 1 600 member companies compiled the latest assessments, concerns and recommendations of European businesses operating in China between January and July 2019. Specific references and recommendations related to the problem of bad-faith trade marks were as follows.

Fourth Amendment in General

- Protecting intellectual property (IP) remains a key concern for European businesses in China. Rights holders therefore welcomed the newly released Trademark Law. Coming into effect on 1 November 2019, the law introduces wording that will allow for a crack-down on bad-faith trade mark applications. This addresses a long-standing recommendation of the Intellectual Property Rights (IPR) Working Group and, once implemented, should improve the protection of European brands in China.
- Intensify efforts to tackle the bad-faith registration of trade marks by addressing loopholes in the current legislation.
- **Updates to the Trademark Law**

On 23 April 2019, the NPC Standing Committee adopted amendments to Trademark Law, with the purpose of effectively tightening restrictions on bad-faith registration and stockpiling behaviours. It came into force on 1 November 2019.

Introducing bad faith as a ground for refusal

- Ask the IP Appellate Court or IP Courts to provide ordinary courts with clear, uniform guidelines and by publishing past case decisions.
- Consider publishing all cases in a free, online database maintained by the IP Tribunal of the Supreme People's Court, so that best practices can be disseminated and promptly adopted.

Transformation of marks to resemble other registered trade marks

Create a Right to Request the Cancellation of a Trade mark that Becomes Infringing after Transformation in Practical Use

Concern

- It is increasingly worrisome that intentionally transformed registered trade marks infringe existing ones, and that with no administrative solution available, judicial solutions are subject to conditions resulting from the Supreme People's Court's judicial interpretations.

Assessment

- During the third revision of the Trademark Law (Version 2001), a draft was proposed by the State Administration for Industry and Commerce (SAIC) in 2007, which stated in Article 48 that whenever a registered trade mark is altered to be either identical or similar to another party's registered trade mark in respect of the same or similar goods – which may cause confusion or misidentification – any person may apply to the Trademark Review and Adjudication Board (TRAB) to cancel the altered registered trade mark. The 2013 text stated that if a trade mark registrant unilaterally alters the trade mark, 'the local administrative department for industry and commerce shall order him to rectify the situation within a specified time period; if the situation is not rectified within the said period, the Trademark Office may revoke the registered trade mark'.
- Another solution for cancelling a trade mark that becomes infringing after transformation is to sue the transformed trade mark in court. However, pursuing this option is challenging due to two judicial interpretations published by the SPC – Article 1.2 of the Provisions of the Supreme People's Court on Issues Concerned in the Trial of Cases of Civil Disputes over the Conflict between Registered Trademark or Enterprise Name with Prior Right published on 18 February 2008, and Article 11 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Famous Trademarks published on 22 April 2009. These Articles provide that where a registered trade mark wishes to sue another registered trade mark, it should seek its invalidation first unless under special conditions, such as in cases where the transformation of the trade mark changes its distinctive character, or if it is a well-known trade mark. Another obstacle is that Article 7 of the Trademark Law, which provides for the principle of good faith in filing and using trade marks, is considered only as a general principle which cannot serve as the sole basis for taking legal action.

Recommendations

- Amend Article 49.1 of the Trademark Law so any person has the right to apply to the CNIPA to cancel a registered trade mark if it becomes infringing after transformation.
- Lower the threshold for a registered trade mark to sue another registered trade mark, and specify that an action may be based on Article 7 of the Trademark Law.

Possible improvement to the law

- The amendment also regulates that trade mark agencies must follow the principles of good faith. Moreover, if an agency knows or should have known that the registration application falls under any of the prohibited circumstances, it may not accept the authorisation.
- Lower the burden of proof required to show bad faith in accordance with the degree of distinctiveness of the trade mark to be protected.

IP Key Workshop, 29 May 2019

IP Key China, in cooperation with the CNIPA, organised a one-day workshop on 29 May 2019 to discuss the latest changes in the law, outline its practical implications, and address some of the on-going challenges. Given the challenges related to bad-faith trade mark applications and the new provisions for tackling those, several presentations and discussions focused on this particular area were given (see: <https://ipkey.eu/en/china/activities/exchange-china-trademark-law>). Specific references and recommendations related to the problem of bad-faith trade marks were presented as follows.

Reflection on certain provisions for regulating applications for trade mark registration – Paul Ranjard

Introducing bad faith as a ground for refusal

- **Article 49 TML:** where the TM registrant who uses their registered TM has committed any of the following, the local AIC will order them to rectify the situation within a specified period; where the situation is not rectified at the expiration of the said specified period, the TMO may revoke the registered TM.
 - In practice: does not work.
 - **SPC interpretations:** OBSTACLE. Infringement action against a registered trade mark is only possible if:
 - 1) the mark has been significantly transformed; or
 - 2) the plaintiff's trade mark was well-known when the target mark was filed.
 - **Solution:** Article 7 'Trade marks should be filed and used in good faith'. However, Article 7 is only a general principle, and cannot be cited independently.
 - **Suggested explanation** Article 33 a prior owner may raise an opposition, if the trade mark 'violates the provisions of clauses 2 and 3 of Article 13, Article 15, Article 16.1, Article 30, Article 31 and Article 32 of this law'. No mention of Article.
- Article 30 a trade mark that is (a) not in conformity with the law, or (b) is identical or similar to a prior registered or approved trade mark of another person may not be registered.
- Article 7 is included in Article. A trade mark that is filed or used in bad faith is not in conformity with the law. Therefore, there is no reason to prevent the plaintiff from citing Article 7. If bad faith is proven, there should be no obstacle to the action. A trade mark filed or used in bad faith should be invalidated.

Recognition of WKTMs, including provisions on the likelihood of confusion

- Defensive marks are needed because it is too difficult to use Article 13 (protection of WKTMs).

European Best Practice in preventing bad-faith trade mark applications – Fabio Giacopello

Possible improvement to the law

- **COSTS AND DAMAGE COMPENSATION.** The losing party to an opposition proceeding is liable to pay the costs of the successful party, subject to certain ceilings. In most cases the opponent risks having to reimburse EUR 300 while the unsuccessful applicant risks being liable to pay EUR 650. The same rules apply on appeal with higher fees. According to the

local legislation of the country where the 'infringer' is resident or domiciled, the party that is forced to activate legal procedure (opposition or invalidation) can later sue the bad-faith applicant and obtain damage compensation. It is usually necessary to send C&D letter before engaging the legal procedure.

Preliminary Thoughts on Merging Civil Suits against BFTM Appns and Trade mark Invalidation Action – He Jing

Possible improvement to the law

- Permit civil suits against a trade mark squatter for remedies simultaneously when filing the trade mark administrative litigation on the invalidation/opposition issues.

EUCCC Position Paper (2020-21)

EUCCC – IPR Working Group – Position Paper 2020-21

The European Business in China Position Paper 2020/21 represented the views of the European Union Chamber of Commerce in China. It's working groups, fora and more than 1 600 member companies compiled the latest assessments, concerns and recommendations of European businesses operating in China between January and July 2020. Specific references and recommendations related to the problem of bad-faith trade marks were as follows.

Transformation of marks to resemble other registered trade marks

Create a Right to Request the Cancellation of a Trade mark that Becomes Infringing after Transformation in Practical Use

Concern

- It is increasingly worrisome that intentionally transformed registered trade marks infringe existing ones, and that, with no administrative solution available, judicial solutions are subject to conditions resulting from the SPC's judicial interpretations.

Assessment

- A solution for cancelling a trade mark that becomes infringing after transformation is to sue the transformed trade mark in court. However, this option is challenging due to two SPC judicial interpretations:
 - Article 1.2 of the Provisions of the Supreme People's Court on Issues Concerned in the Trial of Cases of Civil Disputes over the Conflict between Registered Trademark or Enterprise Name with Prior Right
 - Article 11 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Famous Trademarks.
- These articles provide that, where a registered trade mark wishes to sue another registered trade mark, it should seek the other's invalidation first unless under special conditions, such as in cases where the transformation of the trade mark changes its distinctive character, or if it is a well-known trade mark. Another obstacle is that Article 7 of the Trademark Law, which

provides for the principle of good faith in filing and using trade marks, is considered only as a general principle which cannot serve as the sole basis for taking legal action.

Recommendations

- Amend Article 49.1 of the Trademark Law so any person has the right to apply to the CNIPA to cancel a registered trade mark if it becomes infringing after transformation.
- Lower the threshold for a registered trade mark to sue another registered trade mark, and specify that an action may be based on Article 7 of the Trademark Law.

Possible improvement to the law

- When revocation is filed for an unused registered trade mark, the CNIPA does not allow applicants to review the evidence of trade mark use, which often results in cases being referred to the administration's Trademark Office for a second round of examination and prolonging the procedure. Allow the applicant to question and reply on the evidence provided by the trade mark registrant during the revocation examination (non-use cancellation) stage.

EU Comments, 8 January 2020

EU Commission – Report on the protection and enforcement of intellectual property rights in third countries (8 January 2020)

This report is part of the efforts of the European Commission to strengthen the protection and enforcement of IPR in third countries. It has been published biennially since 2006, the last one dated 21 February 2018. The main objective of this report is to identify third countries in which the state of IPR protection and enforcement (both online and offline) gives rise to the greatest level of concern and thereby establish an updated list of 'priority countries'. Specific references and recommendations related to the problem of bad-faith trade marks were as follows.

Fourth Amendment in General

- On 20 April 2019, the National People's Congress amended several IP laws: it strengthened the trade mark law regarding bad-faith registrations, and modified the anti-unfair competition law to reinforce the protection of trade secrets. In February 2019, China launched a public consultation on draft guidelines related to bad-faith trade mark applications. These draft guidelines should now be adapted to reflect the new provisions in the law.

With respect to **trade marks**, the main concern in China continues to be the registration of bad-faith applications. China's Trademark Law has recently been strengthened. However, important loopholes remain in the protection of trade mark owners against the use of their signs as company names. It remains to be seen whether the April 2019 amendments of the Trademark Law in relation to bad-faith registrations will lead to tangible progress.