

# Curbing Preemptive Registration of Marks under Unfair Competition Law

Zhang Guangliang

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The Unfair Competition Law should play its own role in preventing and ceasing preemptive registration of marks. Against a person who intentionally or even maliciously registers another party's mark, any prior right proprietor, after the relevant administrative proceedings or judicial procedure is closed, may bring an unfair competition litigation, under Article 2 of the Unfair Competition Law, to hold the preemptive registrant civilly liable.

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The “preemptive registration” means “filing a mark registration application before the owner of the mark does”, and the “preemptive registration of a mark” is not a legal concept. In China, the first-to-file doctrine is adopted in obtaining the exclusive right to use a registered mark<sup>1</sup>, that is, in general, the first mark registration applicant secures the right; hence there should be no such matter as “preemptive registration” in mark registration. However, acts abound in practice of mark registration that are contrary to the doctrines of honesty and credibility and that of unfair competition. Such an act of filing application with the Trademark Office for registration of a registerable sign another party enjoys some prior civil rights and interest is known as “preemptive registration” in the community. Theoretically, the Trademark Law currently in force in China has provided for a relatively adequate relief against acts of preemptive registration, whereby a prior right proprietor may stop such an act and

protect his own interest through the mark opposition and dispute resolution proceedings and the follow-up judicial review procedure. As the practice shows, however, the effect of these proceedings and procedure are hardly satisfactory: they are over-complicated and time consuming, and the outcome of such examination and hearing unpredictable, which has dampened the public confidence in the working of the system, and covertly spurred preemptive registrants to preemptively register more marks, or encouraged more people to rush in to do so. While relying on the procedure established under the Trademark Law to regulate acts of preemptive registration of marks, we should consider whether other alternative measures are available to prevent such acts. In this regard, the writer believes that the Unfair Competition Law should play its own role in preventing and ceasing preemptive registration of marks. This article will be looking into the necessity for and feasibility of regulating preemptive reg-

istration under the Unfair Competition Law, and the issues requiring our attention.

## I. Necessity for regulating preemptive registration of marks under the Unfair Competition Law

While acts of preemptive registration are brought under the regulation of a series of procedures under the Trademark Law, to regulate acts of mark registration and maintain the normal order of market competition, regulating acts of preemptive registration of trademarks under the Unfair Competition Law is of great realistic significance as shown mainly in the aspects as follows:

### 1. Need for keeping good faith and maintaining the order of market competition

Under the Chinese Trademark Law, a prior right proprietor may handle an act of preemptive registration of trademarks according to the legal state of the Trademark Law through the opposition proceedings or dispute resolution procedures. For the legislative and realistic reasons<sup>2</sup>, however, the opposition proceedings or dispute resolution procedures have too many sub-procedures, with low efficiency. Take for example the mark opposition raised by a prior right proprietor, from raising opposition to finally closing the case are possibly involved the administrative proceedings and judicial procedures, including the opposition proceedings, opposition reexamination proceedings, the first-instance and second-instance administrative litigation. Besides, some major cases of dispute may go through appeal. For the known reasons, it takes at least five to six years to go through all these procedures. In practice, there are cases which are pending for more than a decade, which, though just a few individual cases, shows, from one perspective, the complexity of the relevant procedure and the low efficiency of the relevant administrative agencies. According to the statistics, enterprises registered in China stay alive or operative for only four years on the average. This means that some enterprises would have “passed away” before the final adjudication is rendered. Further, on the average, a Chinese brand lasts less than two years<sup>3</sup>. In other words, many brands no longer exist in the marketplace when a final judgment is made. For a preemptive mark registrant, the longer a case lasts, the better. Even in a case where the preemptively registered mark is similar to another party’s mark that has

certain influence, the administrative or judicial authority would decide to register or sustain the registration of a mark in suit on the ground that the mark at issue “has acquired distinctive character through years of use”, which would cause direct injury to the prior right proprietor, dampen operators’ the zeal to invest in and operate or maintain brands, and adversely affect the establishment and maintenance of the good faith and order of fair competition in the market.

### 2. Need for curbing the momentum of preemptive mark registration

According to the procedure under the Trademark Law, even if a prior right proprietor succeeds in a case of opposition or dispute, the result is merely that the mark in suit is refused or revoked, and the preemptive registrant does not have to be held administratively liable, or it may be said that he is under “zero risk”. But in the prolonged administrative and judicial procedures, some prior right proprietors, who are anxious to recover or regain their right, are possible to have the dispute settled with preemptive registrant; hence the chances are, the latter would be handsomely paid. It is really highly profitable. The “zero risk” and “profitability” of preemptive mark registration would undoubtedly help spur more acts of preemptive registration.

### 3. Need for recovering the losses caused to prior right proprietors because of preemptive mark registration.

To resort to the administrative and the follow-up judicial procedures to protect his interest, a prior right proprietor has to invest heavily in terms of time, or sometimes money, to pay for the lawyer’s fee; under certain circumstance, he may suffer from other damage.<sup>4</sup> For a prior right proprietor, the fees he pays and the damage he suffers are impossible to be recovered at all in the above-mentioned procedures.

## II. Feasibility of regulating preemptive mark registration under the Unfair Competition Law

The Unfair Competition Law, which is one of the basic laws to maintain the order of market competition and to ensure that business operators carry on decent, lawful and fair competition, expressly prohibits a series of acts of unfair competition. Besides, an act of competition contrary to the doctrines of voluntariness, equality, fairness, honesty and creditability, against the accepted business ethics, detrimental to other operators’ lawful rights and interests and disrupt-

tive to the social and economic order, constitutes an act of unfair competition under Article 2 of the Unfair Competition Law.

Under the Chinese Trademark Law, acts of preemptive registration are contrary to Articles 13, 15, 31 and 41 thereof. These acts are also likely to constitute acts of unfair competition.

When a preemptive registrant acting in violation of Article 31 and Article 41, paragraph one, of the Trademark Law, the unfair character of the actor is obvious. Just as Article 31 of the Trademark Law provides, “no trademark application shall infringe another party’s existing prior rights. Nor shall an applicant register in an unfair means a mark that is already in use by another party and has certain influence.” If a preemptive registrant’s act of mark registration is finally established by the administrative or judicial agency as an act to “register by an unfair means a mark that is already in use by another party and has certain influence”, the proprietor of the mark that is already in use and has certain influence may bring an unfair competition lawsuit, accusing the preemptive registrant of preemptively registering the mark by unfair means, thus, constituting unfair competition. Where the preemptive registrant fails to furnish evidence to the contrary or fails to favourably defend against the accusation, the court should make the determination in this regard.

Likewise, Article 41 of the Trademark Law provides, “where the registration of a trademark was acquired by fraud or any other unfair means, the Trademark Office shall cancel the registered trademark in question; and any other organisation or individual may request the Trademark Review and Adjudication Board to make an adjudication to cancel such a registered trademark.” Under this provision, if a preemptive registrant’s act of mark registration by unfair means infringes the another party’s lawful rights and interest, such an act would be one of unfair competition.

Article 15 of the Trademark Law is a provision on the agent or representative of a person owning a mark who applies, without authorisation of such owner, for the registration of the mark in his own name. That is the act of the agent or representative of a person who is the owner of a mark applies, without such owner’s authorization, for the registration of the mark in his own name. This act as mentioned in this Article is obviously contrary to the good faith doctrine, and detrimental to the interest of the mark proprietor; the latter is entitled to sue to impose civil liabilities on the agent and representative under the Unfair Competition Law.

Article 13 of the Trademark Law provides for the protection of well-known mark. “a trademark that is applied for registration in identical or similar goods shall not be registered and its use shall be prohibited, if it is a reproduction, an imitation or a translation, of another party’s well-known mark that is not registered in China and it is liable to create confusion; or a trademark that is applied for registration in non-identical or dissimilar goods shall not be registered and its use shall be prohibited, if it is a reproduction, an imitation or a translation, of a well-known mark which is registered in China, misleads the public, and the interests of the registrant of the well-known mark are likely to be damaged by such use.” Under the circumstances as mentioned in this Article, if a well-known mark proprietor is able to prove that the act of mark registration is for the purposes of unfair competition or impairs his own rights and interests, he may claim against the act of unfair competition.

In a nutshell, mark registration should be applied for by following the good faith doctrine; should not for carrying on unfair competition and seeking illicit benefits by registering the mark in bad faith.<sup>5</sup> In case of intentional preemptive registration in bad faith by a mark registrant to carry on unfair competition, the infringer has the right to seek civil remedy.

### III. Matters requiring attention in regulating preemptive registration of marks under Unfair Competition Law

When the Unfair Competition Law applies to the regulation of preemptive mark registration, the matters as follows require our attention:

#### 1. When

After an act of preemptive mark registration takes place, the prior right proprietor should first resort to mark opposition proceedings or dispute resolution procedure. After the relevant administrative or judicial authority decides in his favour in respect of the act of preemptive registration, the prior right proprietor has the right to bring a separate unfair competition litigation to hold the preemptive registrant civilly liable. After an act of preemptive mark registration takes place, where the prior right proprietor brings an unfair competition litigation, without requesting the administrative authorities, such as the Trademark Office or the TRAB for resolution through the opposition proceedings or dispute resolution procedure or the relevant procedure is not closed, the people’s court

should decide to reject the litigation under Articles 108 and 111 (3) of the Civil Procedure Law. Doing things this way is for the sake of uniformity of the mark system in China to prevent conflicting outcome of mark right determination procedure and that of civil lawsuit against unfair competition. Meantime, it is possible to “filter out” a large number of cases. That is, only the prior right proprietor who wins in the mark right determination procedure is qualified to bring the unfair competition action.

## 2. Who

The Chinese Unfair Competition Law starts, in Article 2, paragraph two, with a clear definition of the act of unfair competition by specifying that “the ‘unfair competition’ as mentioned in this Law refers to a business operator’s act violating the provisions of this Law, infringing upon the lawful rights and interests of another business operator and disrupting the socio-economic order.” It is thus shown that the Unfair Competition Law regulates the market competitors, namely the business operators. The business operators as mentioned in the Unfair Competition Law refer to legal persons, other economic organisations and individuals providing goods or services.<sup>6</sup> Here arises a question, namely can a preemptive registrant be determined as a business operator so as to make him subject to the regulation under the Unfair Competition Law?

Article 4 of the Trademark Law provides that any natural person, legal person or other organisation, intending to acquire the exclusive right to use a trademark for the goods produced, manufactured, processed, selected or marketed by him or it, shall file an application for the registration of the trademark with the Trademark Office. This expressly provides for the qualification of those applying for mark registration. For the writer, a mark is to distinguish the sources of goods or services, and a mark is registered to be used in the industrial or commercial activities. For that matter, as a mark registrant, a natural person, legal person or any other organisation should be deemed to be the business operator providing goods or services for making profits. While some natural persons do not, or will not, make products or do business,<sup>7</sup> where the applicants of mark registration are such operators, the special sector of this group, namely the preemptive registration registrants, are certainly operators, too, so they are subject to the regulation under the Unfair Competition Law.

## 3. Whether

It should not be generalised whether preemptive regis-

tration of marks undoubtedly constitute an act of unfair competition. Unfair competition is a kind of infringement, but an act of unfair competition and many other acts infringing the IP rights are different in constitution of the infringement.

The act infringing the IP right may be defined as an illegal act of unauthorised exercise of an IP owner’s exclusive right or injury to a rightholder’s other interests.<sup>8</sup> Fault should not be an factor to be considered in determining IP infringement, but one that should in determining whether the infringer is liable for civil damages.<sup>9</sup> As for constitution of an act of unfair competition, however, it is required that the actor is at fault in terms of intention or even bad faith. This is a natural conclusion drawn from the analysis of the IP-related acts of unfair competition, such as false advertising, commercial slander and trade secret infringement, as enumerated in the Unfair Competition Law.<sup>10</sup>

According to the preceding analysis, one of the elements for an act of preemptive mark registration to constitute one of unfair competition should be that the preemptive registrant is subjectively intentional, or even in bad faith. The preemptive registrant is obviously and subjectively intentional if he preemptively applies for registration of a mark in violation of Articles 15, 31 and 41 of the Trademark Law. If he applies for registration of a mark by reproducing, translating or imitating another party’s well-known mark in violation of Article 13 of the Trademark Law, whether his act constitutes unfair competition needs to be examined in the light of the specific circumstances.

In practice, later mark registrants apply for registration of marks identical with or similar to prior well-known marks for different purposes. Some have done so to take advantage of the prior mark, which is an act to apply for registration in bad faith; some have done so due to incomplete search by a trademark attorney or negligence on the part of a trademark examiners, and used said mark in their business operations. It should be said the latter do not intend to reproduce, translate or imitate another party’s well-known mark. Especially where a later mark is registered owing to negligence on the part of a trademark examiner, and the registrant is not at fault, it is very difficult to determine that the later registrant intends to carry on unfair competition and that his act constitutes unfair competition. Since intentionality or bad faith is just a subjective mentality difficult to determine, the determination should be made with account taken of the later registrant’s act and the repute of the prior mark. For a prior non-registered well-known mark, if it is highly reputable, the

goods in respect of which said mark is used take up a large market share, and another party registers the mark in goods or services of the identical or similar classes, or the registrant had business relations with the non-registered well-known mark proprietor, or even did the business identical with or similar to the non-registered mark proprietor, or in the same region as or adjacent to that in which the non-registered mark proprietor did his business, then it is possible to determine that the registrant's act is intentional or in bad faith, so constitutes unfair competition. As for a registered well-known mark, if another party registers in nonidentical or dissimilar goods or services, whether the registrant is intentional is an issue difficult to determine. For the protection of a well-known mark across classes, that is, under what circumstances the public would be misled or it is likely to injure the well-known mark registrant's interest is an issue on which views are sharply divided. For that matter, unless the well-known mark proprietor can present evidence showing that the latter registrant has registered said mark not to use it in business, but to assign it to another party or to the well-known mark proprietor at a high price or any other evidence showing the presence of bad faith in the registration, it would be very difficult for the court to determine the presence of bad faith.

#### 4. Civil liabilities preemptive registrants are subject to

If a preemptive registrant's act constitutes unfair competition, he or it should be legally liable for damages and for eliminating the ill effect under Article 134 of the Civil Procedure Law and Article 20 of the Unfair Competition Law

Regarding the damages compensating doctrine, the "filling-up" doctrine that is generally applicable to civil damages in China should apply, that is, a preemptive registrant whose act of preemptive registration has caused injury to a prior right owner is fully liable for the damages. In general, such injury caused by an act of preemptive registration to a prior right owner mainly includes lawyer's fee and other litigation expenses. For example, if his prior mark that is already in use and has certain influence is preemptively registered, the prior right owner has the right to resort to the dispute resolution procedure for resolution under the law to protect his own rights and interest through administrative proceedings and the follow-up judicial procedures to have the preemptively registered mark revoked. To this end, the prior right owner has spent a lot of time, and paid the lawyer's fee and travel expenses. All this should be the injury caused by the preemptive registrant to the prior right owner. In the unfair competition procedure, as a plaintiff, the prior

right owner has the right to request the preemptive registrant to be liable for the damages. Meanwhile, the preemptive registrant should pay the former for his necessary and reasonable lawyer's fee in the unfair competition litigation.<sup>11</sup> Under some circumstances, the prior right owner's losses are by far in excess of the lawyer's fee. For example, after an agent succeeds in preemptively registering an owner's mark in violation of Article 15 of the Trademark Law, said agent then accuses the mark owner that the latter's use of the mark in suit constitutes an infringement, or even requests the court to adopt some preliminary measures, such as pre-trial or interlocutory injunction, to force the mark owner to stop using his mark, thus causing losses thereto. This is a typical act of unfair competition to apply for mark registration in bad faith to cause injury to another party and to seek illicit benefits. The losses the mark owner suffers because of being forced to stop using his own mark should also be compensated by the preemptive registrant.

Besides causing economic losses to a prior right owner, such act of preemptive registration, in some cases, would create market confusion or other ill effects to such owner. In case like this, the prior right owner has the right to request the court to order the preemptive registrant to eliminate the ill effects by appropriate means in press to the same extent.

The Unfair Competition Law should play its role in stopping acts of preemptive registration of marks. The prior right owner has the right to bring unfair competition litigation against the preemptive registrant to claim damages and to stop the act of preemptive registration and to eliminate the ill effects. This would increase the costs of acting in violation of the law on the part of the preemptive registrant, and help curb the spread of acts of preemptive registration. It needs to be noted that the people's court should be precautions in hearing cases of the nature. On the one hand the court should punish preemptive registrants of marks who carry on unfair competition and seek illicit benefits by preemptive registration of marks, and, on the other, it should ensure that those who do not perform the act of intentionally preemptive registration are free from the liabilities, so as to effectively make use of the mark resources and sustain the market competition. ■

The author: Lecturer of the China-German Law School of the China University of Political Sciences and Law

<sup>1</sup> Article 29 of the Trademark Law.

<sup>2</sup> The legislative reasons are that when the Trademark Law was revised for the third time in 2001, addition was made of the provision on making the administrative adjudications subject to judicial review in order to bring the Trademark Law in harmony with the TRIPs, with the former opposition and reexamination proceedings kept unchanged. This has made the whole procedure over-complex. The realistic reasons are that such a huge number of mark applications are filed in China that China has been the country that has received the largest number of mark registration applications the world over for six consecutive years. For example, in 2007, the State Trademark Office received a total of 708,000 applications for mark registration, and the TRAB accepted 17,500 cases of application for mark review and adjudication. The two administrative agencies are now both short of examiners, and the shortage has resulted in serious backlog.

<sup>3</sup> See the Shenzhen Commercial News published on 12 June 2006.

<sup>4</sup> For example, after some marks are preemptively registered, the trademark proprietors immediately sue the prior right owners of infringing their mark rights, thus causing damage to the latter's production and business.

<sup>5</sup> See P.125 of the Trademark Examination and Adjudication Standards issued by the Trademark Office and TRAB of the State Administration for Industry and Commerce in December 2005.

<sup>6</sup> In its Explanation of Several Issues Relating to Trial of Unfair Competition Cases (Tentative) issued in 1998, the Beijing Higher People's Court further explained the concept of business operators: "a legal person, any other organisation and individual who does not provide goods

or provide service for profits, but provides works, technology and other intellectual achievements in the market for profits may also be a player in unfair competition".

<sup>7</sup> In the Points Requiring Attention from Natural Persons Applying for Trademark Registration issued in February 2007, the Trademark Office has defined the qualification of a natural person applying for trademark registration: only those natural persons who have been approved under law to do business can file application for registering their marks, and the scope of goods or services in respect of which they apply for registration of their marks should be confined to the business scope as approved in their business certificates or relevant regulatory documents, or limited to farm and sideline produce they deal in, otherwise, the Trademark Office should not accept their applications and notify them in writing. The legality of the definition has brought about relevant litigation, and the outcome thereof are yet to be seen.

<sup>8</sup> Zhang Guangliang, Civil Remedies against IP Infringement, the Publishing House of Law, 2003, P.28.

<sup>9</sup> For example, according to Article 56, paragraph three, of the Trademark Law, where a party unknowingly sells goods that infringe upon another party's exclusive right to use a registered trademark but is able to prove that he or it has obtained the goods lawfully and is able to identify the supplier, he or it shall not be held liable for damages. But this act of distribution is still one of infringement, and the distributor should be liable for ceasing the sale.

<sup>10</sup> See Articles 5, 9, 10 and 14 of the Unfair Competition Law.

<sup>11</sup> Article 20, paragraph one, of the Unfair Competition Law.

## 海外知識產權動態

### 拜杜法案

2008年9月，紐約時報發表了一篇批判拜杜法案的專欄文章，批評拜杜法案使得大學過多地追求申請專利和商業開發，而偏離了自身的基本研究方向。

文中說，以前的大學通常會專注在學術研究上，而拜杜法案的推出，使得大學往往偏離了自身的原本研究方向，為了經濟利益在政府要求的方向進行研發，其功能更傾向於公司性質的研究實驗室。此外，大學之間技術成果的共享也受到阻礙，由於各個大學都爭相恐後地為自己爭取政府基金，因此就不願像以往一樣與其他大學共享技術成果。

拜杜法案起源於1980年，其核心是規定由政府經費資助取得的專利，歸發明人所在的研究機構所有。該法案提了

各個大學開展政府研發項目的動力，對推動美國專利事業的發展和科技創新發揮了不可估量的作用。

### 台灣專利代理人考試

2008年8月，台灣舉辦了第一屆專利代理人（稱為“專利師”）考試。在此之前，台灣是由律師、會計師或技師（類似於大陸的工程師）轉職成為專利代理人，不需要經過專門的考試。

考試共分6科，考試內容除了專利法、專利審查實務和行政程序、訴訟法以外，還根據考生的專業背景，選擇性考查微積分、普通物理、化學、工程力學、生物技術、電子學、物理化學、基本設計、計算機結構、英文、日語等科目。

專利代理人考試目前定為每年一次，僅限具有理工科背景的考生。

（熊延峰）