

# Reflections on the Prudent Application of Provision on Registration by Unfair Means in the Trademark Law

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In the Trademark Law of the People's Republic of China (hereinafter referred to as the Trademark Law) revised in 2013, Article 41.1 of the Trademark Law (2001) was adjusted to Article 44.1, which reads "where a registered trademark stands in violation of the provisions of Articles 10, 11 and 12 of this Law, or the registered trademark was acquired by fraudulent or any other unfair means, the Trademark Office shall declare the registered trademark invalid; and any other organization or individual may request the Trademark Review and Adjudication Board to make a ruling to declare such a registered trademark invalid". Except for the change in the serial number of the provision, the content thereof remains substantially the same before and after the law revision, with the slight amendment of the terms from "cancel a registered trademark" and "rule to cancel a registered trademark" to "declare such a registered trademark invalid"<sup>1</sup> due to the procedural reform. Therefore, this article is not going to distinguish the previous and revised provisions, but focuses on the circumstances where "the registered trademark was acquired by ... any other unfair means", defining it as the "provision on registration by unfair means"<sup>2</sup>. The issues that should be noted during the application of this provision are analyzed and summarized as follows: in trademark review and adjudication practice, where the provision on registration by unfair means is applied to declare a registered trademark invalid, it is important to be prudent and take full consideration of all the merits of each case, for the sake of maintaining the trademark registration order and achieving essential fairness in individual cases.

## I. Prudent application of the provision on registration by unfair means from the perspective of the connotation and denotation of norms

There has been a consensus reached among trademark scholars and practitioners in China that the provision on registration by unfair means is aimed to regulate acts that disrupt the trademark registration order and harm the public interest. Provisions that prohibit the registration of certain signs as trademarks all have their respective functions and should not be applied without careful consideration. Article 44.1 is applicable to circumstances where a registered trademark is acquired by fraudulent means or on the basis of forged documents, or where the registered trademark disrupts the public order, improperly occupies public resources or seeks to gain improper benefits.<sup>3</sup> The registered trademark that does not harm the public interest, but only infringes the legitimate rights and interests of any particular subject shall not be deemed as the one acquired "by any other unfair means".<sup>4</sup> In invalidation cases involving "Crayon Shin - chan" trademark<sup>5</sup> and "Haitang Bay" trademark<sup>6</sup>, the courts found that the trademark applicants disrupted the trademark registration and administration order and the public order, and harmed the public interest, which fell within the circumstances where "the registered trademark was acquired by ... any other unfair means" as stipulated by Article 44.1. In some judicial decisions, judges clearly stated that subjects harmed by "any other unfair means" as referred to in Article 44 of the Trademark Law

are the general public.<sup>7</sup> Such consensus has been recognized by legal normative documents. It is stipulated in the Trademark Examination and Adjudication Standards (2017) that “an act of acquiring a trademark registration by any other unfair means indicates that there is sufficient evidence providing that the registrant of the disputed trademark obtains the registration by unfair means other than fraudulent means that disrupts the trademark registration order, harms the public interest, improperly occupies public resources or seeks to gain improper benefits by other means, which violates the principle of good faith and harms the public interest. Where only particular civil rights and interests are harmed, Article 45 and other relevant provisions of the Trademark Law should apply to examination and judgment.” In addition to the circumstances where the public interest is harmed as enumerated above, the Guidelines for Trademark Examination and Adjudication (2021) further stress that “Article 45 and other relevant provisions of the Trademark Law shall be applicable to the circumstances where only particular civil rights and interests are harmed”. Article 24 of the Provisions of the Supreme People’s Court on Several Issues Concerning the Trial of Administrative Cases Involving Trademark Grant and Confirmation (hereinafter referred to as the Provisions) clearly indicates that “means, other than fraudulent means, that disrupts the trademark registration order, harms the public interest, improperly occupies public resources or seeks to gain improper benefits” belongs to the “other unfair means” as stipulated by Article 44.1 of the Trademark Law. It can thus be seen the trademark administrative authority and judicial authority have reached a consensus that the provision on registration by unfair means does not apply to the protection of particular civil rights and interests.

From a systematic perspective, the reason why the provision on registration by unfair means does not apply to the protection of particular civil rights and interests is mainly that as an absolute ground clause, said provision imposes no limitations on the subject or time for filing the request for invalidation<sup>8</sup>, and applying said provision to the protection of particular civil rights and interests would set the resolution of conflicts between particular civil rights and interests free from the five-year time limit for trademark invalidation, which may render the provision on trademark dispute in Article 45 of the Trademark Law in vain and disrupt the existing market order. However, in practice, people often seem to break through the rule that different provisions shall be ap-

plied on absolute and relative grounds by applying the provision on registration by unfair means under the circumstances where private interests are harmed.<sup>9</sup> Some people criticized such a practice, holding that it must be rectified because it elevates a private interest claim, which is factually or legally unsustainable, directly to a public interest claim, resulting in the abuse of Article 44.1.<sup>10</sup>

## II. Prudent application of the provision on registration by unfair means from the perspective of history

The number of trademark applications in China has remained high for many years, which may be attributed to the market entities’ increased awareness about trademark protection, and malicious preemptive registration and hoarding of enormous trademarks. For the sake of curbing malicious preemptive registration of trademarks, the provision on registration by unfair means has been applied in an increasingly wider scope. First, the provision on registration by unfair means was changed from a procedural provision to a substantive provision.<sup>11</sup> Second, the provision on registration by unfair means was converted from a provision applicable in the trademark dispute phase to the one applicable throughout the opposition and dispute phases.<sup>12</sup> For instance, in the “清样” trademark case, the Beijing High People’s Court indicated that “the legislative intention of Article 41.1<sup>13</sup> shall be born in mind through the trademark application review, approval and cancellation processes and (said article) may be applied by reference in the trademark application review, approval and relevant litigation processes.”<sup>14</sup> Third, the provision on registration by unfair means was transitioned from a relative ground provision to an absolute ground provision<sup>15</sup>. In the “减联 and device” case in 2006, the Supreme People’s Court confirmed that the absolute grounds for cancellation of registered trademarks are listed in parallel to the event that “the registered trademark was acquired by fraudulent or any other unfair means” in Article 41.1<sup>16</sup> of the Trademark Law.<sup>17</sup> Thereafter, the courts changed the view of applying Article 44.1 as the relative ground provision.

Among those changes, the transition of the provision on registration by unfair means from a relative ground provision to an absolute ground provision plays the most important role in expanding the scope of application of said provi-

sion. As stated above, said provision when used as an absolute ground for invalidating a trademark neither restricts the subject eligible to file the request for invalidation, nor sets the time limit for filing the invalidation request. In this regard, the Supreme People's Court once stated in the Opinions on Several Issues Concerning Intellectual Property Trial Serving the Overall Objective under the Current Economic Situation (No. Fa-fa 23[2009]) that public right and private right grounds for cancelling a registered trademark shall be distinguished correctly so as to prevent inappropriate expansion of the scope of trademark cancellation and avoid the arbitrariness of such cancellation". Due to this reason, we must adopt a prudent attitude. Shall we delve into the background behind the application of a relative ground provision as an absolute ground provision? As stated above, one of the crucial underlying purposes is to curb malicious preemptive registration of trademarks, and thus, circumstances which do not belong to malicious preemptive registration of trademarks should not be subject to the provision on registration by unfair means. Enormous trademark registrations, which however do not constitute preemptive registrations, shall not be subject to the provision on registration by unfair means.<sup>18</sup> On the other hand, when said provision is used as the absolute ground provision, consideration shall be given to the historical node when the provision was changed from a relative ground provision to an absolute ground provision. The provision on registration by unfair means should not be applied to invalidate trademarks which were registered earlier than such a change.

From the perspective of history, the provision on registration by unfair means originated from Article 27.1 of the Trademark Law (1993), which reads "if a registered trademark violates the provisions of Article 8 of this Law, or the registration thereof is obtained by fraudulent or any other unfair means, the Trademark Office shall cancel such a registered trademark; and other entities or individuals may request the Trademark Review and Adjudication Board to make a ruling to cancel such a registered trademark." Rule 25(5) of the Implementing Regulations of the Trademark Law (1993) makes the interpretation to this article, stating that the obtainment of registration by fraudulent or any other unfair means referred to in Article 27.1 of the Trademark Law means one of the following acts: (1) obtaining registration by making up or holding back the truth of the matter or by faking application forms, attachments or other related documents; (2) using another person's trademark that is al-

ready well-known to the public for registration by means of duplication, imitation, translation or by other means against the principle of honesty and good faith; (3) an agent using its principal's trademark for registration in its own name without authorization; (4) obtaining registration in violation of the lawful priority right of others; and (5) obtaining registration by other unfair means. It can thus be seen from the above interpretation that the catch-all provision of other unfair means is mainly to resolve trademark squatting on relative grounds.<sup>19</sup>

After the revision of the Trademark Law in 2001, the several circumstances stipulated in Rule 25 of the Implementing Regulations of the Trademark Law (1993) were directly incorporated into the provisions of the Trademark Law, for example, the second circumstance is transformed into the provision of Article 13 on the protection of well-known trademark; the third circumstance is transformed into the provision of Article 15 on prohibition of preemptive registration by agents and representatives; and the fourth circumstance is transformed into the provision of Article 31 on prior rights.

What are "other unfair means"? The Trademark Adjudication Standards (2005) deem that they are acts of registering trademarks in bad faith for the purpose of unfair competition and seeking illegitimate benefits. It means that, in addition to the circumstances stipulated in Articles 13, 15 and 31 of the Trademark Law, there is sufficient evidence proving that the registrant of the disputed trademark, who knows or should have known that the disputed trademark is the trademark previously used by others, applied for registration of the disputed trademark. The registrant's act violates the principle of good faith, harms other's legitimate rights and interests, and disrupts the fair and competitive market order. Hence, the disputed trademark should not be approved for registration or should be cancelled. The following requirements are further set forth: (1) the trademark registrant is malicious; (2) the disputed trademark is the one previously used by any other person; and (3) the scope of protection: the scope of protection of the previously used trademark is in principle confined to the goods/services identical or similar to the goods/services for which the disputed trademark is used. Following such interpretation, Article 44.1 of the Trademark Law intends to cover the act of preemptively registering other's previously used unregistered mark by unfair means, and should be a relative ground provision. This reasoning can be found in relevant

disputes, such as the Haupt trademark case. In this case, Huirui Co. applied for the registration of the Haupt trademark with the Trademark Office on 18 November 1996, and the trademark registration was approved on 14 November 1997. Jinfeng Co. filed a request for cancellation of the trademark with the Trademark Review and Adjudication Board on the grounds that the “Haupt” trademark was designed and first used by Jinfeng. The key dispute in this case lies in that the “Haupt” trademark, though first used by the applicant, does not meet the requirements for an unregistered well-known trademark as stipulated in Article 13 or a trademark having certain influence as stipulated in Article 31 of the Trademark Law. The Trademark Review and Adjudication Board deemed that if the applicant can prove that the respondent’s application for registration of the disputed trademark “Haupt” violated the principle of good faith, such that the requirements set by Article 41.1<sup>20</sup> of the Trademark Law are satisfied, the trademark registration should be cancelled.<sup>21</sup>

However, great changes have been made to the any application of the provision on “registration obtained by ... other unfair means” in the Trademark Review and Adjudication Standards issued in January 2017, wherein said provision is clearly defined as the one for protecting the public interest and the order of trademark registration. In the same year, the Supreme People’s Court also adopted the similar expression in Article 24 of the Provisions. It can be concluded that it was in 2017 that the provision on registration by unfair means was clearly defined as an absolute ground provision in normative documents. Does it mean that a more prudent attitude should be held towards the application of the provision on registration by unfair means to invalidate trademarks approved for registration before 2017? In 2019, Article 17.4 of the Beijing High People’s Court Guidelines for the Trial of Trademark Right Grant and Confirmation Cases stipulates that if the disputed trademark is applied earlier and there is evidence proving that the applicant of the disputed trademark has a true intention to use such a trademark and has put it into actual commercial use, then the disputed trademark may, according to the specific circumstances, be determined to fall outside of the circumstances where “registration is acquired by ... any other unfair means”. Accordingly, such factors as earlier registration, true intention to use and commercial use shall be crucial in the application of Article 44.1 of the Trademark Law. Where the above conditions are satisfied, it is inappropriate to in-

validate the registered trademark by the provision on registration by unfair means.

### III. Prudent application of the provision on registration by unfair means from the perspective of balance of interests

The Supreme People’s Court issued the Opinions on Exerting the Function of Intellectual Property Rights Judgment to Facilitate Socialist Cultural Development and Prosperity and Promote Independent and Coordinated Economic Development, stating that “conception shall be updated to practically strengthen the pertinence and effectiveness of services for the great development and great prosperity of socialist culture and the independent and coordinated development of economy ... The concept of balance of interests shall be reinforced, and balance of interests shall be taken as an important base for the judicial protection of intellectual property rights. The interests of intellectual creators, business users, and general public shall be all considered, and the relationship between the encouragement of creation and promotion of industrial development and the protection of basic cultural rights and interests shall be well coordinated, so that all interested parties can share benefits and have balanced development.” Where the application of the provision on registration by unfair means concerns the interests of the invalidation requestor, since the invalidation requestor and the trademark registrant are often involved in direct or indirect competition, it is especially necessary to lay emphasis on the balance of interests. The interests of the general public, trademark registrant and invalidation requestor must be comprehensively considered. Account shall be taken of whether the registration of the disputed trademark disrupts the registration order and harms the public interest, when the disputed trademark is registered and whether the trademark registrant has put the trademark into actual use and conducted business in good faith, the impact of the invalidation of the disputed trademark on the business of the trademark registrant, the relationship between the invalidation requestor and the trademark registrant, whether the invalidation requestor has explicitly or implicitly recognized the trademark registration, and whether the invalidation requestor holds a laissez-faire attitude toward trademark registration or has delayed in asserting its right.

It is particularly worth noting that in recent years, with the increasing calls for curbing malicious trademark squatting and the strengthened measures to crack down on malicious trademark squatting, the provision on registration by unfair means has been gradually applied in a wider scope. “Collective punishment” has occurred in quite a few cases. That is to say, once it is determined that a trademark registrant applies for registration of multiple trademarks that are identical or similar to others’ registered trademarks, enterprise names, font, works, etc., it is very likely that the registered trademark used by the trademark registrant for years may be implicated and declared invalid as well. Such administrative intervention not only disrupts the normal market competition order, but also poses a threat to the stability of the trademark registration order and undermines the credibility of trademark registration, such that the accumulated goodwill of the trademark registrant has come to nothing and the market entities’ enthusiasm for business will be deeply harmed. Such an approach is deemed as an obvious overcorrection. No efforts have been made to analyze issues from the perspective of history or resolve issues realistically. Market logic is not respected, and laws are not followed.

From the institutional perspective, trademark rights are acquired by registration in China. The first-to-file principle itself will have an impact on prior use of trademark. It is the proper meaning of the system that, within the framework of law, the earlier filed trademarks should be registered and held valid and such practice should be allowed by laws. As stated in the court’s decision, “the particular situations stipulated by law should not be found at the expense of undermining the fundament of trademark registration system; or otherwise, the social benefits gained therefrom would be far less than the social costs paid. In this sense, the finding of certain situations should adhere to the law”.<sup>22</sup> In addition, in the process of law application, attention shall be paid to avoiding moralization of legal issues, and handling disputes over trademark grant and confirmation within the legal framework and application scope of law, instead of judging as if standing on the moral high ground. Legal issues should be handled according to law, and moral issues should be handled according to ethics. Moralization tendency in the application of trademark law is likely to lead to improper moral judgement in, e.g., the cancellation of unduly registered mark or the determination of infringement, thereby replacing legal judgments with pure moral judgments.<sup>23</sup>

Therefore, even if the registration itself is morally defective or negatively evaluated, the registration should be allowed or the validity of trademark right be maintained as long as the registration does not violate the prohibitive or negative provisions in the trademark legal system. Acts that disrupt the trademark registration order, harm the public interest, improperly occupy the public resources or seek illegitimate benefits by other means should be found under the provisions of the trademark law and legally interpreted in the sense of legal norms.<sup>24</sup>

In short, after the provision on registration by unfair means in the trademark law is defined as an absolute ground provision, a substantive provision and a through-stage applicable provision, the application of said provision can result in extremely severe legal consequences. Once said provision is applied, the unfavorable results may cause a devastating blow to trademark registrants, and therefore the application thereof should be treated prudently. We should avoid as much as possible applying said provision to the protection of the civil rights and interests of particular subjects, especially when the trademark was registered at an earlier time and the registrant has put the registered mark into actual use and accumulated goodwill. On the one hand, it is to prevent the particular subjects of civil rights and interests from circumventing the five-year time limit to invalidate the trademarks that have been actually registered and used for many years, override the provision on the five-year time limit in the trademark law, and maintain the existing trademark registration order and credibility, as well as the reliance interests of trademark registrants in trademark grant. On the other hand, it is to maintain the existing market order and protect free market competition. The application of the provision on registration by unfair means should be judged within the scope of legal norms, not by moral judgement. As for the application of said provision, it is necessary to comprehensively and meticulously consider the trademark registration order, the public interest, and the interests of relevant parties, such as trademark registrants and invalidation requestors, historically delve into the background of trademark registration, and practically examine the legal effects and market consequences of trademark invalidation. While applying the provision on registration by unfair means to curbing malicious registration and maintaining the trademark registration order, we shall also guarantee the substantive requirement for fairness in individual cases and avoid excessive application and overcorrection. ■

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<sup>1</sup> Du Ying (2016). *The Trademark Law* (3<sup>rd</sup> edition, pp. 104-105). Peking University Press.

<sup>2</sup> This provision is also defined as the provision on “registration by any other unfair means”.

Liu Xiaojun (2021). Practical research on non-application of the provision on “registration by any other unfair means” to enormous registered trademarks. *Science & Technology • IP Economy*, 8, 24.

<sup>3</sup> Huang Hui (2022). The systematization and perfection of the system of obtaining the right of trademark registration in China. *Science of Law (Journal of Northwest University of Political Science and Law)*, 1, 176.

<sup>4</sup> Ning Lizhi and Ye Ziwei (2022). Research on application of law to malicious trademark squatting. *Law Review*, 2, 189.

<sup>5</sup> See the Administrative Judgment No. Gaoxingzhongzi 1427/2011.

<sup>6</sup> See the Administrative Rulings Nos. Zhixingzi 41/2013 and 42/2013.

<sup>7</sup> See the Administrative Judgment No. Gaoxingzhongzi 76/2013.

<sup>8</sup> Compiling Group. *Intellectual Property Law* (2<sup>nd</sup> edition, p. 201). Higher Education Press.

<sup>9</sup> Zhong Ming (2020). Comments on Article 44.1 of the Trademark Law. *Intellectual Property*, 2, 31.

<sup>10</sup> Ma Xingzhou. Reflections on normative application of Article 44.1 of the Trademark Law. WeChat Account: Zhichanli, posted on 12 Oc-

tober 2021.

<sup>11</sup> Zang Baoqing (2016). Application of the provision on “any other unfair means” of Article 44.1 of the new Trademark Law. *China Industry & Commerce News*, 7.

<sup>12</sup> Duan Xiaomei. Interpretation of “any other unfair means” in Article 44.1 of the Trademark Law. WeChat Account: Zhichanli, posted on 23 February 2018.

<sup>13</sup> Serial number of the articles of the Trademark Law (2001).

<sup>14</sup> See the Administrative Judgment No. Gaoxing(zhi)zhongzi 659 / 2015.

<sup>15</sup> Yang Jing (2020). Coherent interpretation of Article 44.1 of the Trademark Law. *People's Judicature*, 7, 87.

<sup>16</sup> See supra note 13.

<sup>17</sup> See the Administrative Judgment No. Xingjianzi 118-1/2006.

<sup>18</sup> See supra note 2.

<sup>19</sup> Wu Handong (2023). Interpretation of the concept system of malicious trademark registration and analysis of its normative application. *Modern Law Science*, 1, 24.

<sup>20</sup> See supra note 13.

<sup>21</sup> The Haupt Trademark Dispute Ruling No. Shangpingzi 1648/2005 issued by the Trademark Review and Adjudication Board.

<sup>22</sup> See the Administrative Judgment No. Jingxingzhong 5374/2016.

<sup>23</sup> Kong Xiangjun (July 2009). *Trademark and Unfair Competition Law: Principles and Cases* (1<sup>st</sup> edition, p. 229). Law Press • China.

<sup>24</sup> Xia Junli (2018). Judicial probe into “unfair means” in trademark grant and confirmation cases. *Journal of Law Application*, 16, 33.

## Chinese Procuratorates Intensify Crackdown on IPR Infringement

Chinese procuratorates handled, examined and prosecuted the cases of 28,000 individuals suspected of violating intellectual property rights (IPRs) between January and November in 2023, a 53.3 percent increase year on year, a senior prosecutor said on 28 February 2024.

Liu Taizong, an official with the Supreme People's Procuratorate (SPP), said China's procuratorates had intensified the crackdown on IPR infringement, including violations in emerging businesses such as using livestreaming platforms to sell counterfeit products.

Procuratorates nationwide supervised the proceedings of 2,240 civil and administrative cases involving

IPR infringement in the first 11 months of 2023, increasing by 170 percent from the same period of 2022.

They also lodged protests and suggested retrials in over 600 cases related to IPR infringement in the 11 months, 8.7 times the figure for the same period of 2022.

All people's procuratorates at the provincial level in China now have offices in charge of IPR-related cases, and the SPP has issued a guideline for procuratorates on handling such cases, Liu said.

Source: Xinhua