

Application of the “Other Unjustified Means” under Article 44 Paragraph 1 of the New Trademark Law

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In April 2016, the Beijing High Court released the *Top 10 Typical Intellectual Property Judicial Protection Cases of 2015* rendered by Beijing courts, where the application of Article 41 Paragraph 1 of the 2001 Trademark Law in the opposition appeal proceeding was clarified in the opposition appeal case of “QING XIANG in Chinese.” Thereafter, the court rendered decisions for trademark opposition appeals of FACEBOOK and Victoria’s Secret. These court decisions indicate current judicial practices on the applicable procedures and factors have become clearer when applying Article 44 Paragraph 1 of the new Trademark Law (Note: The new Trademark Law was enacted in 2014. Article 44 Paragraph 1 of the new Trademark Law corresponds to Article 41 Paragraph 1 of the 2001 Trademark Law. These two provisions are identical and will be used hereinafter depends on the context). Looking back at more than a decade of trademark right approval and confirmation practice since the 2001 Trademark Law amendments were enacted, application of Article 44 Paragraph 1 has changed dramatically. This article, based on organizing and summarizing the changes on the application of this provision, will further discuss issues related to specific application thereof.

1. Deepened comprehension of “public order and good custom” transformed from “good faith”

The provision that a trademark registration can be cancelled if it is registered by fraudulent means or any other unjustified means was first introduced in Article 27 Paragraph 1 of the 1993 Trademark Law, and this provision remained in Article 41 Paragraph 1 of the 2001 Trademark Law. Before the implementation of the 2001 Trademark Law, the Trademark Review and Adjudication Board (TRAB) had jurisdiction to render a final decision for review and adjudication cases. Therefore, there were basically no conflicts in interpretation and application of this provision. After the 2001 Trademark Law was enacted, the interpretation

of “other unjustified means” (Article 44 Paragraph 1 of the new Trademark Law and Article 41 Paragraph 1 of the 2001 Trademark Law) gradually went through a deepened comprehension process, accompanied with changes of rules in trademark right approval and confirmation, as well as the understanding of the examination and adjudication authorities on the logical relationship and implications of the related laws and regulations.

(1) Period from 2001 to 2008

Companioned the 1993 Trademark Law, Rule 25 of the Implementing Rules of the Trademark Law (hereinafter as the “Implementing Rules”) provided explanations on trademark registration by fraudulent means or any other unjustified means under Article 27 Paragraph 1 of the Trademark Law, which included: (1) seeking registration by fabricating or hiding the truth, or forging the application and other relevant documents; (2) violating the good faith principle when registering publicly known trademark owned by others by copying, imitating, and translating; (3) without authorization, an agent registered its principal’s trademark in its own name; (4) seeking registration by infringing upon prior rights of other parties; and (5) seeking registration by other unjustified means. Evidently, items (2) to (5) were explanations on “other unjustified means,” where items (2), (3) and (4) described specific circumstances, and item (5) served as a catch-all provision. Looking at this particular rule, “other unjustified means” covered several circumstances that clearly violated the good faith principle, and item (5) as a catch-all provision was roughly equal to items (2), (3) and (4) in nature.

When the Trademark Law was amended in 2001, items (2), (3) and (4) of Rule 25 of the Implementing Rules were elevated to Article 13, 15 and 31 of the 2001 Trademark Law, while “other unjustified means” remained under Article 41 Paragraph 1 and continued the previous interpretations. Therefore, when the Chinese Trademark Office (CTMO) and the TRAB promulgated the Standards of Trademark Examination and Review in 2005, it was clarified that seeking registration by “other unjustified means” referred to bad faith registration with the intention of unfair competition and/or making illegal profit. Such registration referred to the following circumstances other than those prescribed by Articles 13, 15, 31 and etc. of the 2001 Trademark Law: Where there was sufficient evidence proving the registrant of the disputed trademark knew or should have known the trademark was owned by others with prior use and the registrant still filed it for registration. Such filing violated the good faith principle, jeopardized the legal rights and interests of others, and disrupted the market order. Thus, the disputed trademark shall not be approved for registration or shall be cancelled.

According to the legislative history and the examination and review standards mentioned above, the TRAB interpreted “other unjustified means” as a catch-all provision for regulating

acts that violated the good faith principle. For acts that obviously violated the good faith principle and jeopardized the private civil rights of a particular party, and where those acts could not be regulated by Articles 13, 15 and 31 of the Trademark Law, Article 41 Paragraph 1 may be applied to regulate those acts. In the review and adjudication practice, the TRAB had applied this provision to refuse various trademark registrations that violated the good faith principle, such as the trademark cases of “Crayon Shin-chan” and “MUJI.”

(2) Period from 2008 to 2014

After the second amendments were made to the 2001 Trademark Law, a natural person was allowed to file for trademark registration. Accordingly, a group of “professional trademark applicants” appeared and created another type of typical unjustified means of trademark registration, namely, mass registrations without intent to use and even with intent to make unjustified profits. Trademarks preliminarily approved or registered under these circumstances began to appear in opposition and dispute proceedings after 2010, and the CTMO and the TRAB generally regulated those circumstances in accordance with Article 10 Paragraph 1(8) of the Trademark Law.

During this period, the comprehension of “other unjustified means” also changed. In a dismissed retrial case of Retrial Dismissal Notice (2006) Xing Jian Zi No.118-1, the Supreme People’s Court (SPC) held the view that the subject in Article 41 Paragraph 1 was the absolute cause of actions for trademark cancellation. The subject was acts that jeopardized the public orders and interests, or disrupted the management order of trademark registration. For trademark disputes involving prior rights, Article 41 Paragraph 2 and 3 shall be applied. Since then, various courts had changed their views in affirming the TRAB’s application of Article 41 Paragraph 1 as relative cause of actions, and held in multiple cases that the TRAB erred in its application of the law.

With both of the above factors in the background, the SPC released the Opinions on Several Issues concerning the Administrative Cases of Trademark Right Approval and Confirmation (hereinafter as the “SPC Opinions”) in 2010. The SPC Opinions provided new definitions and explanations for provisions related to trademark right approval and confirmation in the Trademark Law. For applying Article 10 Paragraph 1(8), the SPC clarified that the issue of “whether the sign or its major component may cause negative influence over the State’s politics, economy, culture, religion, nation and other public interest for the society” shall be considered. However, for applying “other unjustified means” in Article 41 Paragraph 1, the issue of “whether the act is a manner other than fraud that may disturb the order of trademark registration, jeopardize public interests, unfairly occupy public resources, or use

other means to obtained unjustified interests” shall be considered. These two provisions clearly excluded the circumstances of jeopardizing particular civil rights and interests, and established the position that these two provisions were weighted on maintaining “public order and good custom.” The former emphasized on examination of the sign per se, while the latter focused on the justification of the trademark registration.

Considering the standards established in the SPC Opinions, the signs per se involved in mass registrations usually did not implicate detrimental influence, instead, those signs fell closer to the scope of “other unjustified means” under Article 41 Paragraph 1. However, there was a transitional period for the SPC Opinions to be carried out and digested in actual practice of trademark right approval and confirmation by judicial and administrative authorities. Therefore, for a period of time, either Article 10 Paragraph 1(8) or Article 41 Paragraph 1 was applied against mass trademark squatting. For instance, in the trademark opposition appeal cases of “GEORGE WESTINGHOUSE & GEORGE WESTINGHOUSE in Chinese,” “Rolls-Royce in Chinese & ROUSI REISI & design,” “Playboy in Chinese & PARTYBOY,” the TRAB has considered the applicant’s mass reproducing, copying, and imitating trademarks with high fame owned by others, and thus applied Article 10 Paragraph 1(8) to refuse the registrations, and these decisions were later affirmed by the courts. However, in the trademark opposition cases of “A. O. SMITH and SMITH in Chinese,” “VILLEROY & BOCH Wei Bao Wu Jin in Chinese,” “LOUIS XIII in Chinese,” and “Head & Shoulders in Chinese,” the TRAB refused the registrations by applying Article 10 Paragraph 1(8), while those TRAB decisions were overruled by the courts holding that those signs did not have detrimental influence.

(3) Period after 2014

Bad faith trademark filings have seriously disturbed the market order and raised great concerns from the public. During the legislative process of the third Trademark Law amendments, administrative authorities of trademark right approval and confirmation once proposed a series of provisions, with the intention of strengthening the crackdown on bad faith filings. For instance, the provision as follows was contemplated in the draft amendments of the new Trademark Law: “Where a trademark application is the imitation of other’s trademark with relatively strong distinctiveness and with certain influence on goods or services not identical or similar to said trademark application, and is likely to mislead the public, such trademark application shall not be approved for registration.” This provision was particularly targeted to crack down on mass trademark registrations on dissimilar goods or services that were identical to or similar with other’s trademarks with high fame. However, for various reasons only partial proposals were eventually adopted. After the new law was enacted, with the strengthening protection on intellectual property and increasing practice of

the law application of the good faith principle, the demand for cracking down on bad faith filings continues to increase in the practice of trademark right approval and confirmation. Under this background, when adopting the SPC's judicial policy in drawing clear lines between the provisions, the position of citing Article 44 Paragraph 1 to crack down on bad faith filing is strengthened. Through a period for adjustments, currently administrative authorities and all the levels of courts (courts of first instance and second instance as well as the SPC) have reached consensus on the application of Article 44 Paragraph 1.

2. Expansion from the dispute (or invalidation) proceeding to the opposition appeal (or appeal against registration refusal) proceeding

Considering the position and the legal language used in the Trademark Law, Article 44 Paragraph 1 is only applicable to cancellation or invalidation of a registered trademark in the dispute or invalidation proceeding. However, if this provision were interpreted and applied merely from its literal meaning, it would be contradictory to the need in the practice of trademark right approval and confirmation and would probably create parentally irrational results. Therefore, after the second amendments of the 2001 Trademark Law, the TRAB started to apply, by analogy, Article 41 Paragraph 1 in opposition appeal proceeding in practice, which was affirmed by the courts. For instance, in the trademark opposition appeal case of “the gap & design” (Application No.1063044), the TRAB ruled that the opposed party violated the good faith principle, and the opposed trademark fell under circumstances of the trademark filing by the unjustified means. The First Instance Court affirmed the TRAB's ruling and upheld the TRAB's opinion on the application of Article 41: Examining the legislative intent of Article 41 of the Trademark Law, this provision aimed at adhering to the good faith principle to crack down on bad faith trademark filing, and maintaining sound market order. This principle shall be implemented across both trademark examination and approval proceedings and both opposition and dispute proceedings. If the CTMO or the TRAB has already found the intent of the trademark applicant was to seek trademark registration by fraudulent means or other unjustified means at the trademark application stage, this provision may be applied to refuse the registration of such trademark application, instead of waiting until such trademark application is approved for registration and then cancelling this improperly registered trademark by applying this provision.

Thereafter, for a long period of time, opinions of the TRAB and the courts were consistent that this provision may be applied to the opposition appeal proceedings. In 2013, however, in the second instance of the trademark opposition appeal of “banny OFFICE DEPOT” (Application No.4001295), the Beijing High Court held that the application of Article 41 Paragraph 1 was

limited to “registered trademarks,” and the application thereof in opposition appeal proceedings was an expansion of the application of the law, which contradicted to the principle of administrative authority under the laws. Hence, some court holdings did not affirm the TRAB’s application of Article 44 Paragraph 1 in opposition appeal proceedings, which resulted in inconsistent application of law between the administrative authorities and the courts, and among the collegiate panels within the courts.

In 2015, for a group of opposition appeal cases including typical cases of “Qing Xiang in Chinese” and “Guan Han Qing in Chinese”, the Beijing High Court changed its perspective, and clarified that Article 44 Paragraph 1 of the new Trademark Law may be applied by reference in opposition appeal proceedings. This clarification was later released in 2016 to the public in the form of typical cases. From then on, the debates about the application of this provision were temporarily rested.

3. Defining “other unjustified means” via the Purposive Approach

As mentioned above, the TRAB’s historical interpretation of the substantive content of Article 41 of the 2001 Trademark Law was eventually replaced by the SPC’s logical interpretation. The application of law also went through a developing process from “expanding interpretation” to “literal interpretation” and back to “expanding interpretation.” Thus, the interpretation on the implication of provisions is determined by the specific method of the legal interpretation, which eventually reflects the specific demand for the practice of trademark right approval and confirmation. The interpretation on the connotation and denotation of “other unjustified means” should combine the purpose of this provision, and take into account the relationship between “other unjustified means” and other provisions as well as the relationship between “other unjustified means” and “fraudulent means,” in order to adapt to the specific demand for the practice of trademark right approval and confirmation.

Broadly speaking, making unjustified profits with the intention of seeking trademark registration is obviously a violation of the good faith principle. However, because of the position of “public order and good custom” in this provision, specific circumstances should be distinguished. For acts both violating the good faith principle and disrupting the trademark registration order, Article 44 Paragraph 1 of the new Trademark Law shall be applied. However, for acts that merely jeopardize particular civil rights and interests, namely, merely violate the good faith principle, this provision shall not be applied. Instead, the adjudication shall consider, in combination, the facts of the case and apply specific provisions related to the good faith principle under the Trademark Law.

In terms of the language used in the provision, “unjustified means” is parallel to “fraudulent means,” and “unjustified” is the adjunct of “means.” However, in fact, it is difficult to specifically list other “unjustified means” than fraudulent means that is used to seek trademark registration. Thus, the “unjustified” in this context is largely referring to the purpose and consequences of the acts. According to relatively consensus understanding of the administrative authority of trademark right approval and confirmation, “unjustified” refers to circumstances of “disrupting the order of trademark registration, jeopardizing public interest, improperly occupying public resources or making unjustified profit by other means,” which is commonly deemed as mass or multiple trademark registrations without the intent to use. Regardless of whether this unjustified nature denotes means or intent, it can generally be determined by a person’s objective conduct. For specific cases, the judgment shall be made by considering comprehensively the various factors, such as the quantity and nature of the trademark registration, the registrant’s intent and likelihood of genuine use of the trademark, and the registrant’s other acts after the trademark registration.

(1) Quantity of registered trademarks

This is the fundamental consideration factor to recognize unjustified means, but currently there is no such quantitative standard available, and it is not suitable to set such a quantitative standard. Several points shall be noted when recognizing a “relatively large quantity”: **First**, exclude the circumstances of registrations for justified need or defensive purpose. For registrations in the need for business operation or protection of rights and interests of a market entity per se even if the quantity of the trademark is relatively large, such registrations shall not be regarded as unjustified. **Second**, avoid assessing the facts in isolation. In practice, when measuring a single case, the unjustified registration is always presented in violation of the good faith principle, namely, the registrations merely jeopardize the rights and interests of the particular party that raised the claims. Under the above circumstances, it is obviously difficult to identify that registration as having disrupted the order of trademark registration. Therefore, the adjudication on whether the registrations are obtained by “other unjustified means,” in fact is the result of comprehensive adjudication based on considering facts of other cases or other trademark registrations (under certain circumstances, no oppositions or invalidations against other trademarks are raised). When an interested party asserts arguments and provides evidence, that party should list in details the trademark registrations of the disputed trademark registrant, in order to prove the unjustified nature of such registration. **Third**, examine the relationship among the adversary parties. The examination on quantity of the trademarks shall not be limited to those trademarks owned by the disputed trademark applicant, it shall also include natural person, legal person, or other organization

who can conspire, or has a particular relationship or has other particular relationship with the disputed trademark applicant.

(2) Source of the sign of registered trademarks

As for the disputed trademark, such trademark is identical or similar to (1) trademarks owned by others with relatively strong distinctiveness, (2) names of public resources such as geographic name, scenic spot, architectures, and (3) trade name, enterprise name, name of organization and other institutes, domain name, name of natural person and etc. The above registrations intend to jeopardize legitimate rights and interests of others and to confuse the origin of goods and services, or intend to improperly occupy public resources. Under neither circumstances, can the above registrations be justified. As for the specific presentations of unjustified registration, it may be presented as filing for all or part of the signs mentioned above, or filings targeted on one specific type of signs, or, even in partial cases, registering trademarks of others with high fame on goods and services in multiple Classes.

(3) Registrant's acts after the trademark registration

After the registration of the disputed trademark, the disputed trademark registrant offers for sale, or forces others to trade, or demand assignment fees, license fees, damages due to infringement and etc. in a large amount of money. The above acts obviously do not intend to use the registered trademark for servicing its function, but to use the trademark as a tool for making profit, which verifies the unjustified nature of the registration.

4. Several procedural issues on carrying out the application of Article 44 Paragraph 1 of the new Trademark Law in practice

(1) Carrying out across all the proceedings of examination, opposition and dispute

According to the ruling the Beijing High Court rendered in the trademark case of “Qing Xiang in Chinese,” the legislative intent of Article 41 Paragraph 1 of the 2001 Trademark Law shall be carried out across all the proceedings of trademark examination, approval, and cancellation. During trademark examination, approval or corresponding litigation proceedings, if filings by fraudulent means or other unjustified means are found, the CTMO, the TRAB, and the courts may, apply by reference to the above regulations, regulate unjustified trademark filings. The judicial authority has positioned this provision as an absolute cause of action for refusing trademark registration. Thus, according to the general rule of trademark examination, administrative authorities should refuse ex officio a trademark filing during the examination process if such trademark filing is found to fall under the circumstances where the law

prohibits the use or registration of the trademark. However, such mass registrations are difficult to be found during the examination process of a single trademark. Thus, there lies the difficulty in practice when refusing such trademark filing. Of course, if the administrative authorities could establish a “blacklist” system, then it would be feasible to refuse such unjustified trademark filings during the examination process according to Article 44 Paragraph 1 of the new Trademark Law.

(2) Law application in the opposition proceeding

As the door to the trademark opposition proceeding, the CTMO’s examination and acceptance of opposition arguments is the premise that Article 44 Paragraph 1 of the new Trademark Law can be carried into subsequent proceedings. However, regarding the opposition arguments, Article 33 of the new Trademark Law prescribes as follows: For preliminarily published trademark, the prior right holder or the interested party can file an opposition with the CTMO within three months after the publication, if they believe the trademark violates Article 13 Paragraph 2 and 3, Article 15, Article 16 Paragraph 1, Article 30, Article 31, and Article 32, or anyone who believes it violates Article 10, Article 11, and Article 12. Where no opposition is filed within the publication period of three months, the trademark application shall be approved for registration, a certificate of registration shall be issued and published. Rule 26 of the new Implementing Regulations prescribes as follows: The CTMO will not docket an opposition request, and will notify the applicant in writing with reasons explained in the event of the following circumstances: ... (ii) The petitioner’s qualification or arguments in the opposition does not satisfy the regulations under Article 33 of the new Trademark Law. Therefore, according to the regulations of the new Trademark Law and the Implementing Regulations thereof, the law has already provided a specific list for opposition arguments, while Article 44 Paragraph 1 actually is not included in such list. This leads to the dilemma in practice: Article 44 Paragraph 1 is applied as a substantive law during opposition appeal and subsequent litigation proceedings, while such provision is difficult to be accepted as a valid argument raised by the owner of prior rights in the opposition proceeding.

(3) How to achieve effective bridging between proceedings

In practice, although the CTMO does not accept Article 44 Paragraph 1 of the new Trademark Law as an opposition argument, the CTMO still regulates mass trademark squatting without the intent to use by applying Article 10 Paragraph 1(8) of the new Trademark Law. In the case of appeal against registration refusal where the opposed party is dissatisfied with the CTMO decision on the opposition and appeals to the TRAB for review, if the opposed trademark falls under the circumstances prescribed by Article 44 Paragraph 1 of the new Trademark Law

which has been incorporated as the arguments by Article 10 Paragraph 1(8), then the trademark may be refused for registration according to Article 41, Paragraph 1 of the new Trademark Law. Suppose the opposed party is dissatisfied with the opposition decision of the CTMO and appealed for a review before the TRAB. As the TRAB does not apply Article 10 Paragraph 1(8) to regulate such circumstances, how should the laws be converted in order to effectively regulate such unjustified registration? Two specific routes are available. The first route: The TRAB directly applies Article 44 Paragraph 1 of the new Trademark Law based on the opponent's specific requests and evidence submitted, and holds that the applicant's acts constituted unjustified mass trademark squatting and that the opposed trademark shall not be approved for registration. Under these circumstances, the CTMO decision applies Article 10 Paragraph 1(8) and the appeal requested by the opposed party also directly aims at such provision. Therefore, if the TRAB directly converts the basis of the law, it may encounter certain risks in subsequent litigation proceedings. The second route: The opponent actively participates in the review proceeding and aggressively argue the application of Article 44 Paragraph 1 of the new Trademark Law in the opinion submitted. Under these circumstances, according to Article 53 Paragraph 2 of the new Implementing Regulations, "if the opponent's opinion has substantial effect on the outcome of the examination, it can be used as basis of the examination." Thus, the TRAB may refuse the registration of the opposed trademark according to Article 44 Paragraph 1 of the new Trademark Law. In comparison, the second route is obviously based on more solid legal basis with less legal risks. For the interested parties to the case, it is vitally important to fully understand and actively adapt to the current specific requirements regarding the law application of authorities of the trademark right approval and confirmation, in order to increase the success rate of enforcement.

Source in Chinese:

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