Study on the Understanding and Application of "Malicious Trademark Applications Not Intended for Use" as Stipulated in Article 4 of China's Trademark Law

Featured Article

As we all know, in order to effectively curb trademark hoarding, the fourth amendment to Article 4 of China's Trademark Law (the "**Trademark Law**") in 2019 added that "malicious trademark applications not intended for use shall be rejected[1]", which firstly applies in the trademark application reviewing process and successively, applies in the trademark opposition and invalidation procedures. On November 16, 2021, the China National Intellectual Property Administration (the "**CNIPA**") published the newly formulated Guidelines for Trademark Examination and Trial (the "**Guidelines**")[2] , which clarify the identification and application of Article 4 of the Trademark Law during practice of examination and trial in its second chapter of Part two. This study focused on the understanding and application of the same in combination with the Guidelines and practice.

1. Understanding of "malicious trademark applications not intended for use"

The Guidelines define the term "malicious trademark applications not intended for use" as "applicants' behavior that has submitted a large number of trademark applications not based on the needs of production or operation activities, which lacks real intention to use, improperly occupies trademark resource and disrupts the order of trademark registration."

Firstly, the malice here refers in particular to intention that is not based on the needs of production or operation activities and lacks real intention to use, the essence of which is hoarding for speculation, and the consequence of which is improper occupation of trademark resource and disruption of the order of trademark registration. In other words, the malice regulated by this article equates the malice in hoarding trademarks, which is related to but different from the malice in rushing to register trademarks for the purpose of "free riding" and so on. Therefore, so on. Therefore, in order to judge whether it constitutes the "malice" in Article 4, we should explore the applicant's true intention from objective evidence.

Secondly, according to the above definition, the precondition of judging "malicious trademark applications not intended for use" is "having submitted a large number of trademark applications". As to "a large number of trademark applications", it should be assessed from the perspectives of both the spatial dimension (for example, applying for hundreds of trademarks at the same time, applying for trademarks over dozens of classes at the same time, or imitating brands owned by multiple entities at the same time) and the temporal dimension (for example, submitting a large number of applications for registration in a short time, or repeatedly applying for one trademark imitating a specific brand owned by one entity).

1 The amended Trademark Law came into force on November 1, 2019.

2 The Guidelines came into force on January 1, 2022.

Lastly, besides the condition of "having submitted a large number of trademark applications", the Guidelines list three criteria of judgement over the considerations as follows: 1) whether its trademark registration is obviously inconsistent with its business practices; 2) whether it obviously exceeds the legitimate business needs and actual business ability; and 3) whether it has obvious intention to seek illegitimate interests and disrupt the normal order of trademark registration. In practice, the brand owners may take various factors into consideration and reasonably suspect that the trademark applied for registration by the applicant constitutes one or more of the above three circumstances, so as to claim their rights.

2. Application of Article 4 of the Trademark Law in Practice

Since the revision of the Trademark Law in 2019, Article 4 has been playing a great role in combating malicious applications. In trademark authorization, the CNIPA rejects the trademark applications with obvious malice based on Article 4 of the Trademark Law, and requires the trademark applicant to bear the burden of proof of its active defense based on real intention to use or defensive purpose[3] in applying the trademarks. Such burden of proof may effectively curb malicious applications at the stage of trademark registration.

According to the online database of the CNIPA, 1) in the Decision on Review of Refusal to the Mark "Xiake Island Ancient Tea-Horse Road in Chinese (侠客岛茶马古道)" under No. 30212035, the CNIPA found that the applicant applied for nearly 1000 trademarks, which obviously exceeds the normal production and operation needs and constitutes free riding upon the goodwill of others. Thus, the CNIPA determined that the subject mark violates Article 4 of the Trademark Law; 2) in the Decision on Review of Refusal to the Mark "JOY@ABLE" under No. 31473360 published by the CNIPA, the applicant has applied for 929 trademarks, more than 500 of which were than 500 of which were applied in less than 9 months of 2018 and 2019. The applicant's behavior of applying for a large number of trademarks in a short time has obviously exceeded the normal needs of production or operation, and the applicant was unable to explain the rationality and legitimacy of its registration. Thus, the CNIPA determined that the subject mark violates Article 4 of the Trademark Law; and 3) in the Decision on Review of Refusal to the Mark "Jingdian Donald Duck in Chinese (精典唐老鸭)" under No. 38441646 published by the CNIPA, the applicant applied for nearly 100 trademarks, including several trademarks that are identical or similar to the work names or character names of others with certain fame. Thus, the CNIPA determined that the subject mark violates Article 4 of the Trademark Law. As we can see from the above cases, the judgment of "malicious trademark applications not intended for use" by the CNIPA involves various considerations and different types of behaviors.

In the invalidation procedure, trademark hoarding has been mainly regulated by Article 44(1) of the Trademark Law of 2013, even after the revision of the Article 4 in 2019. In the Decision on Invalidation against the Mark "  " under No.30211219 (Shang Ping Zi [2021] No. 0000239840), the CNIPA determined that,

1) Article 4 of the Trademark Law is a general provision which shall not apply;

2) The evidence submitted by the applicant shows prior use of the disputed mark by the applicant; As a competitor in the same industry, the respondent filed repeated applications for the disputed mark that is highly similar to the applicant's mark after its assignment; There are 29 trademarks filed in the name of the respondent, all of which are imitations of brands owned by the applicant and others; The respondent did not submit evidence proving that the disputed mark was in use or is ready to be in use. Such behavior has exceeded its normal production and operation needs, improperly occupied trademark resource, disrupted the

3 According to the Guidelines, there are two circumstances that Article 4 of the Trademark Law does not apply. One is for defensive purpose, and the other one is to apply for an appropriate amount of trademarks in advance for the future business with realistic expectation.

occupied trademark resource, disrupted the normal order of trademark registration management, and undermined the market order of fair competition. Therefore, the registration of the disputed trademark has constituted the circumstance of "the registration of a trademark acquired by any other unfair means" as referred to in Article 44(1) of the Trademark Law, and the disputed mark shall be invalidated.

In this case, although the CNIPA did not directly apply Article 4 of the Trademark Law, it is clear that the respondent's behavior was determined as trademark hoarding that improperly occupied trademark resource and disturbed the normal order of trademark registration. According to the Guidelines, the circumstance of "(3) Repeated applications for registration of a specific trademark with a certain degree of popularity or strong distinctiveness for the same subject, disrupting the order of trademark registration" falls under Article 4 of the Trademark Law applies to such behavior. Notably, the specific mark as stipulated in the above Circumstance (3) can be either a trademark with certain degree of popularity or a trademark with strong distinctiveness. If the trademark is with "strong distinctiveness", the burden of proof for the popularity by the applicant of invalidation can be reduced to a certain extent. In practice, when foreign applicants who have not yet carried out business activities in China claim their rights based on Article 32 of the Trademark Law (rush to register a trademark that is already in use by another person and has certain influence by illegitimate means), it is often difficult to prove its marks used abroad had certain influence in China. And in a case of invalidation filed on the basis of "other unfair means" as stipulated in Article 44(1) of the Trademark Law, it is often necessary to submit evidence to prove that the applicant of the disputed trademark registers a large number of trademarks and publicly sells trademarks for profit through the Internet. According to Circumstance (3) stipulated in the Guidelines, as long as the condition of strong distinctiveness of the registered trademark is met, the foreign applicant only needs to prove its prior use and the prior use and the repeated applications by the respondent, and provide preliminary evidence to reasonably suspect that the respondent has no real intention of use. If the respondent makes an active defense based on real intention to use or defensive purpose, it shall provide sufficient evidence to prove its defense. To sum up, the Circumstance (3) as stipulated in the Guidelines is more flexible in the form and combination of elements for the identification of malicious trademark registration, and the identification standards of certain elements are also reduced.

3. Conclusion

It is of great significance to correctly understand and apply Article 4 of the Trademark Law in both trademark confirmation and authorization procedures. Meanwhile, the Guidelines, as important basis for trademark examination and trial, pointed out the considerations and judgment criteria for each stage. The ten circumstances that fall under Article 4 of the Trademark Law as specified in the Guidelines will play an important role in curbing malicious trademark applications not intended for use in future trial and review practice. Therefore, brand owners should be more active in applying Article 4 of the Trademark Law to safeguard their legitimate rights and interests.

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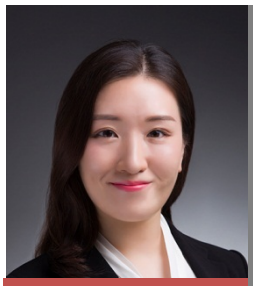
Ms. WU is very experienced in trademark opposition, invalidation, administrative litigation, trademark application, layout and analysis on strategic brand program of enterprises, and particularly in dealing procedures after trademark right affirmation and sophisticated administrative or litigation cases. She has had a significant impact for her strong expertise in multiple cases handled. Ms. WU has represented many Fortune 500 companies in over thousands of trademark prosecution and litigation cases. The cases dealt with by Ms. WU have been awarded as the excellent cases by China Trademark Association. The "Kyocera" trademark opposition review administrative lawsuit handled by her has made the trademark of the right holder recognized as a well-known trademark through judicial channels.



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Ms. Lin is familiar with the Chinese intellectual property laws and regulations and is experienced in intellectual property agency practice. Ms. Lin can skillfully handle all kinds of trademark prosecution and administrative litigation cases in Japanese and English and is proficient in providing comprehensive intellectual property services for customers. Among the typical cases that have been engaged by Ms. Lin, there is the "McDelivery", a well-known trademark being recognized through administrative approach.

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