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# **Trademark Registration in Bad Faith in the People's Republic of China – Causes and Analysis of Provisions of Chinese law**

## **Introduction**

Trademarks, understood as signs which can distinguish good and services from the goods and services of others and indicate the source of these goods and services, are an important part of modern market – based economy in countries around the globe.<sup>1</sup> While they play a vital part in building a company's image or product in the mind of consumers, they also have significant importance from the legal point of view. Registering trademarks allows the producers of goods or services to ensure that only the owners of trademarks can legally sell their products on the market under that trademark. This allows them to control the quality of their goods or services and to profit from them. Trademark infringements can be a subject of civil, administrative, or even criminal proceedings. The infringements not only violate the trademark owners' rights but might also cause harm to their name and allow unsuspecting consumers to be taken advantage of, if they purchased a product believing it was genuine.

To protect trademarks, many international sources of law were adopted. In 1883, the Paris Convention for the Protection of Industrial Property<sup>2</sup> was adopted, which ensured that foreign applicants from the

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1 K. Sangsuvan, *Trademark Squatting*, "Wisconsin International Law Journal" 2013, vol. 31 no. 2, p. 253–254.

2 The Paris Convention for the Protection of Industrial Property adopted 20 March 1883.

other party of the convention receive the same treatment as domestic applicants<sup>3</sup>, established the protection of well – known trademarks (discussed on p. 4–5) and regulated many other issues concerning intellectual property law. Later, the so-called Madrid system was established by adopting the Madrid Agreement Concerning the International Registration of Marks in 1891<sup>4</sup> and a Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks in 1989.<sup>5</sup> The Madrid system allows a trademark to be protected if the registration has currently been filed as an application or registered in the register Office of a Contracting Party, and allows protection in the territory of Contracting Parties to be secured by obtaining the registration of that trademark in the register of International Bureau of the World Intellectual Property Organization.<sup>6</sup> The Agreement on Trade – Related Aspects of Intellectual Property Rights adopted in 1994 set minimum standards of protection of intellectual property rights among the members of World Trade Organization.<sup>7</sup>

Despite extensive international legislation concerning the protection of intellectual property, including trademarks, infringements are still all too common. Trademark registration in bad faith is a persistent practice in many countries worldwide. This practice, often called trademark squatting or trademark piracy, is defined by the World Intellectual Property Organization as “[...] the registration or use of a generally well – known foreign trademark that is not registered in the country or is invalid as a result of non – use”.<sup>8</sup> Trademark squatters, hoping to earn money, find unregistered trademarks that belong to someone else,

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3 Article 2 and 3 of the Paris Convention for the Protection of Industrial Property adopted 20 March 1883.

4 The Madrid Agreement Concerning the International Registration of Marks adopted 1891.

5 Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks adopted 1989.

6 Article 2 of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks.

7 Article 1 (1) of the Agreement on Trade – Related Aspects of Intellectual Property Rights.

8 World Intellectual Property Organization, *WIPO Intellectual Property Handbook*, 2004, p. 90.

usually from abroad, and register them in their own names.<sup>9</sup> This practice can lead to multimillion losses and prevents major investments.<sup>10</sup> The specificity of the Chinese economy, language, culture, society, and law makes bad faith trademark registration rather widespread in China.<sup>11</sup> Foreign entities are often not aware of this practice and only find out about it after they have fallen victim to a trademark squatter. Despite this, it seems that the Chinese government is not clamping down on this issue enough.

The aim of this article is to identify the reasons for the popularity of this practice in China and analyse the provisions of Chinese law that combat bad faith trademark registrations. The following work comprises two parts. The first part analyzes the causes and uniqueness of this practice in China. The second part presents an analysis of legal provisions that currently regulate this subject in the People's Republic of China.

The following terms need to be defined, because of the complexity of the Chinese administrative division and the Chinese language. In this work, China or the People's Republic of China means only mainland China. The term does not include the Special Administrative Regions of Hong Kong and Macau, and neither does it include Taiwan. Those three entities have their own legal systems. Even though bad faith trademark registration is present there, it is not as economically significant as in mainland China. A person or other entity that makes such registration is called a trademark squatter and is defined as "a person or company that acquires trademarks, not in the hopes of actually using them to help market a product or service, but rather, in the hopes of making trademark infringement claims against other persons or companies that do use them to market their products or services."<sup>12</sup>

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9 K. Sangsuvan *Trademark Squatting* ..., p. 254.

10 K. Sangsuvan *Trademark Squatting* ..., p. 255–258.

11 K. Sangsuvan *Trademark Squatting* ..., p. 255.

12 M. Jessica, *Two Steps Forward, One Step Back: A Need for China to Further Amend Its 2013 Trademark Law in Order to Prevent Trademark Squatting*, "Brooklyn Journal of International Law" 2017, no. 42(2), p. 993, 994–995.

A foreign entity in this article is understood as a legal or a natural person who has its place of residence or its seat outside of China. Both natural persons, such as NBA athletes<sup>13</sup>, and legal persons, such as Apple Inc.<sup>14</sup> are falling victim to this practice.

### **The Causes of the Popularity of Bad Faith Trademark Registrations in China**

This practice is present in many countries around the world, but only in China are specific economic, language and legal conditions met for this intellectual property infringement to be so widely spread.

In late 1978, Communist Party of China, under the leadership of Deng Xiaoping, started introducing a reform package, which switched the economy to a market – based one and opened it up to foreign investment. Over time, foreign investors were granted access to millions of diligent workers. Such conditions caused China to be called a ‘world’s factory’<sup>15</sup>, since it became the biggest producer and exporter of goods in the world.<sup>16</sup> In 2010, the Chinese economy, measured by gross domestic product, surpassed that of Japan and became second largest economy in the world.<sup>17</sup> Along with this, Chinese society becomes richer each year, between 2010 and 2020 the average wage more than doubled<sup>18</sup>, which

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13 L. Xindan, A. Baker III Thomas, R. Leopkey, *Examining the extent of trademark squatting of NBA athlete names in China*, “European Sport Management Quarterly” April 2021, p. 2.

14 H. Karlsson, *Trademark Protection for the Chinese Market – a study on Swedish retail companies established in China* (Dissertation), accessed 31 October 2021, p. 26. <<http://urn.kb.se/resolve?urn=urn:nbn:se:umu:diva-171035>>

15 Chun Yang and He Canfei, *Transformation of China’s ‘World Factory’: Production Relocation and Export Evolution of the Electronics Firms*, “Tijdschrift Voor Economische En Sociale Geografie (Journal of Economic & Social Geography)” 2017, no. 108 (5), p. 571–572.

16 World Trade Organization, *Total merchandise exports – quarterly (Million US dollar)*, accessed 23 October 2020, <<https://data.wto.org/?idSavedQuery=467f03cf-2316-4273-b4e9-c15de67911ee>>.

17 World Bank, *GDP (current US\$)*, accessed 23 October 2020, <[https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?most\\_recent\\_value\\_desc=true&year\\_high\\_desc=true](https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?most_recent_value_desc=true&year_high_desc=true)>.

18 Trading Economics, *China Average Yearly Wages*, accessed 31 October 2021, <<https://tradingeconomics.com/china/wages>>

made China one of the largest consumer markets in the world.<sup>19</sup> These unique characteristics of the Chinese economy make bad faith registrations of trademarks so widespread in China because trademark squatters know they can gain sizeable sums of money from the rightful owners of the squatted trademark.

There are three ways for trademark squatters to profit from a wrongfully acquired trademark. The first is to sell the trademark to its rightful owner.<sup>20</sup> Foreign entities often choose this option, because despite being expensive, it is relatively fast and allows civil and/or administrative litigation to be avoided, and it can also help to minimise lost profits due to, for example, delays in launching a new product on the enormous Chinese market. The American brand Tesla, which produces electric cars, fell victim to this practice. In the end, the dispute was solved out of court and the parties reached an agreement.<sup>21</sup> The second possibility is to sell counterfeit products with registered trademarks that imitate the genuine products of the trademark's rightful owner.<sup>22</sup> The third way of monetisation is to produce and sell products with the squatted trademark that differ from the products sold by the rightful owner of the trademark.<sup>23</sup> This is precisely what happened to the rightful owner of the Chivas Regal trademark. A Chinese clothing manufacturer registered the Chivas Regal trademark in the category of clothing and used it to produce garments with this wrongfully acquired trademark.<sup>24</sup> The size of the Chinese consumer market and China's significant role in international trade allows large sums of money to be gained from the squatted trademark, either through selling the products with the trademark or by pressuring

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19 Maris G. Martinsons, *Transforming China*, "Communications of the ACM" 2005, no. 48 (4): p. 44, 46.

20 Martin, *Two steps...*, p. 1003.

21 S. Shen and N. Shirouzu, *Tesla resolves trademark dispute in China*, "Reuters", 6 August 2014, accessed 23 October 2020, <<https://www.reuters.com/article/us-tesla-motors-china-idUSKBN0G606420140806>>.

22 K. Sangsuvan *Trademark Squatting...*, p. 259.

23 K. Sangsuvan *Trademark Squatting...*, p. 259.

24 D. C. K. Chow, *Trademark Squatting...*, p. 96.

foreign entities that had their trademark registered in bad faith by someone else. Quick dispute settlement is crucial to avoiding – often enormous – losses,<sup>25</sup> and often the quickest and the cheapest way to settle the dispute with the squatters is to agree to their demands.<sup>26</sup>

The unique characteristics of the Chinese language contributed tremendously to the spread of the trademark squatting practice across China. The Chinese language uses logograms as characters. A single character is usually read as a single syllable.<sup>27</sup> Furthermore, only a relatively small amount of the Chinese population speaks English or any other Western language on a communicative level. One of the most recent papers addressing this issue estimates that, based on a previous research, government censuses and other language surveys, in 2020 only 20% of the population of China knew some English.<sup>28</sup> However, this paper does not provide detailed statistics on the level of English proficiency among China's population. Another study from 2021 claims that, depending on the province, the English proficiency band can vary from “very low” to “moderate”.<sup>29</sup> These factors mean that in everyday life the Chinese and the Chinese mass media almost always use transliterations or translations of the trademark, and less often they use a trademark that is translated into Chinese and written in *pinyin*.<sup>30,31</sup> Understanding the specificity of the Chinese language and culture is hard for foreign entities, for at least several reasons. The first one is a lack of understanding of how modern Chinese society works. As soon as an original trademark appears in Chi-

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25 K. Sangsuvan *Trademark Squatting...*, p. 257–258.

26 D. C. K. Chow *Trademark Squatting...*, p. 97.

27 Hannas Wm. C., *Asia's Orthographic Dilemma*, 1997, accessed: 01 November 2021. <[http://www.pinyin.info/readings/texts/east\\_asian\\_languages.html](http://www.pinyin.info/readings/texts/east_asian_languages.html)>

28 Bolton Kingsley, J. Bacon – Shone, *The Statistics of English across Asia* in Bolton, Botha, Kirkpatrick “*The Handbook of Asian Englishes*” September 2020, p. 60.

29 Chen Liang, Li Wanli, *Language acquisition and regional innovation: Evidence from English proficiency in China*, “*Managerial and Decision Economics*” May 2021, p. 6. <<https://doi.org/10.1002/mde.3374>>

30 The official system of phonetic notation of the Chinese language in the Latin alphabet. It is taught in Chinese schools and used to write with Chinese characters on electronic devices.

31 D. C. K. Chow *Trademark Squatting...*, p. 95.

nese public discourse, the mass media are going to create and use Chinese transliteration or translation of it, unless the transliteration or translation was created by the rightful foreign owner of the trademark.<sup>32</sup> The second cause is the multitude of possible translations and transliterations.<sup>33</sup> Despite that, the possibilities are not unlimited and throughout the years, certain patterns and standards of transliteration and translation emerged.<sup>34</sup> In the literature, it is advised that companies should register the trademark in original foreign form, as well as all probable forms of transliterations, translations and translations written with use of *pinyin*.<sup>35</sup> Furthermore, it is advised to register the trademark in many categories of goods.<sup>36</sup>

The third group of reasons for the popularity of trademark squatting are legal causes. The People's Republic of China did not always try to put a decisive end to this practice. To fully understand these causes, it is necessary to provide a historical outline of Chinese intellectual property law. The first modern legislation concerning trademarks – the Trademark Law of People's Republic of China (from now on also referred to as the Trademark Law)<sup>37</sup> – was enacted in 1982. Later, China ratified or acceded to many international treaties, agreements and obligations concerning intellectual property law – most notably: the Paris Convention for the Protection of Industrial Property (China acceded on 19 December 1984, the convention entered into force on 19 March 1985), the Madrid Agreement Concerning the International Registration of Marks (China acceded on 4 July 1989, the agreement entered into force on 4 October 1989), the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (China acceded on 1 September 1995, the protocol entered into force on 1 December 1995), the Trade – Related Aspects of Intellectual Property Rights (applicable to China as a mem-

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32 D. C. K. Chow *Trademark Squatting...*, p. 94.

33 D. C. K. Chow *Trademark Squatting...*, p. 95.

34 D. C. K. Chow *Trademark Squatting...*, p. 95.

35 D. C. K. Chow *Trademark Squatting...*, p. 96.

36 D. C. K. Chow *Trademark Squatting...*, p. 96.

37 Trademark Law of People's Republic of China adopted 23 August 1982.

ber of World Trade Organization – China became member of WTO on 11 December 2001).<sup>38</sup> Despite introducing the legal protection of trademarks and other intellectual property rights, China was accused of not obeying the statutory law concerning trademarks, and was also accused of treating entities that were breaking this law with indulgence.<sup>39</sup> The losses suffered by foreign entities were so big that in 1992, China and the government of the United States of America signed a memorandum concerning the protection of intellectual property, in which China agreed to enhance the protection of intellectual property rights.<sup>40</sup> Despite signing the memorandum, China was still reluctant to introduce further changes.<sup>41</sup>

It was not until 2001 that the Chinese Trademark Law was amended to combat bad faith trademark registrations and ensure the protection of “well – known” trademarks as required by the Paris Convention for the Protection of Industrial Property.<sup>42</sup> The protection of well – known trademarks in China is discussed in the next part of the article. In 2013, another amendment was introduced. It raised the upper limits of damages, made the procedure for registering trademarks more flexible, and extended the rights of third parties to object to a pending registration of a trademark.<sup>43</sup> Despite that, in the literature some have argued that the 2013 amendment was not enough. Some researchers suggested that the amendment did not protect the harmed entities enough, and some researchers underlined that Chinese officials tend to favour the Chinese entities in disputes with foreign entities.<sup>44</sup>

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38 K. Stevenson Matthew, *A Summary of China's Intellectual Property Reform from 2013 to 2019*, “Willamette Journal of International Law & Dispute Resolution” 2020, no. 27, p. 169, 171.

39 K. Stevensons *Summary of China's...*, p. 171.

40 The Office of Trade Agreements Negotiation and Compliance, *Memorandum of understanding between the government of the People's Republic of China and the government of the United States on the protection of intellectual property*, accessed 7 November 2020 <[https://tcc.export.gov/Trade\\_Agreements/All\\_Trade\\_Agreements/exp\\_005362.asp](https://tcc.export.gov/Trade_Agreements/All_Trade_Agreements/exp_005362.asp)>.

41 K. Stevensons *Summary of China's...*, p. 172.

42 Article 6bis of Paris Convention for the Protection of Industrial Property.

43 K. Stevensons *Summary of China's...*, p. 174.

44 Martin, *Two steps...*, p. 999.



In 2014, three intellectual property courts were created in Beijing, Shanghai and Guangdong.<sup>45</sup> Regular courts often lacked specialist knowledge in the area of intellectual property rights<sup>46</sup> and were overwhelmed by the increasing number of intellectual property related cases, especially in Beijing, Shanghai and Guangdong.<sup>47</sup> Lack of specialist knowledge resulted in a lack of judicial consistency.<sup>48</sup> These specialised intellectual property courts hold a first instance jurisdiction to hear administrative trademark cases against the administrative decisions of the State Council or local governments, civil cases involving the identification of well – known trademarks, second instance jurisdiction for hearing appeals against civil and administrative judgments and the rulings of the Basic People’s Courts from the field of trademarks.<sup>49</sup> In intellectual property courts, judges draw on the expertise of technical investigation officers that are hired to provide assistance regarding the technical issues of intellectual property law<sup>50</sup>, but the judges themselves usually have extensive experience in terms of intellectual property cases.<sup>51</sup> There are no intellectual property appeal courts, and appeals are heard by local Intellectual Property Tribunals of High’s People’s Courts.<sup>52</sup> In the literature, the creation of specialised intellectual property courts is recognised as a very important step in the reforms of intellectual property protection in China.<sup>53</sup>

To further combat trademark squatting, the Trademark Law was amended again in 2019. The analysis of provisions of amended the

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45 D. Matthews, *Intellectual Property Courts in China*, “Queen Mary University of London, School of Law Legal Studies Research Paper” 2017, no. 254/2017, p. 5.

46 K. Stevensons *Summary of China’s...*, p. 175.

47 D. Matthews *Intellectual Property Courts...*, p. 5–6.

48 D. Matthews *Intellectual Property Courts...* p. 7–8.

49 Article 1(2) and 1(3), Article 6 of Provisions of the Supreme People’s Court on the Jurisdiction of Cases in Beijing, Shanghai, and Guangzhou Intellectual Property Courts adopted 17 October 2014.

50 D. Matthews *Intellectual Property Courts...* p. 12.

51 D. Matthews *Intellectual Property Courts...* p. 19.

52 Article 7 of Provisions of the Supreme People’s Court on the Jurisdiction of Cases in Beijing, Shanghai, and Guangzhou Intellectual Property adopted 17 October 2014.

53 K. Stevensons *Summary of China’s...*, p. 175.

Trademark Law of People's Republic of China is a way of examining if China finally provided adequate protection against bad faith trademark registrations.

### **The Provisions of the Trademark Law of the People's Republic of China relating to Bad Faith Trademark Registrations – an Analysis**

Chinese trademark law is a first – to – file system – whoever files an application first, after meeting other requirements, has priority over others to become owner of the trademark and will be granted with exclusive rights to the use of a trademark under protection of law.<sup>54</sup> Chinese trademark law, by power of Article 6 (3) of the Paris Convention for the Protection of Industrial Property upholds the principle of territoriality and only protects trademarks that are registered in China, independent of registrations in other countries. Under the Trademark Law, trademarks are protected for a duration of 10 years, with possible renewals, each for a period of another 10 years.<sup>55</sup>

The first Article of the Trademark Law of People's Republic of China that relates to bad faith trademark registration is Article 4, which was amended in 2019. This article introduces a bad faith application not made with the intention of using the trademark as an absolute ground for the objection to and invalidation of the registered trademark. The State Administration of Markets Regulation (from now on referred to as SAMR), an agency directly under State Council of People's Republic of China<sup>56</sup>, released the Provisions on Regulating Trademark Registration Acts.<sup>57</sup> Article 8 of Provisions on Regulating Trademark Registration Acts provides guidance on what factors should be considered

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54 Article 3 (1) of Trademark Law of People's Republic of China.

55 Article 39 and 40 of Trademark Law of People's Republic of China.

56 Article 2 of Provisions on the Configuration of Functions, Internal Institutions and Staffing of the State Administration for Market Regulation adopted 30 July 2018.

57 Provisions on Regulating Trademark Registration Acts adopted 10 October 2021.

when assessing whether the application breaches Article 4 of Trademark Law. These factors are:

1. The number of registered trademarks applied for by the applicant or the natural person, legal person, or other organisation with which the applicant has an associated relationship, the designated classes, the status of trademark transactions, etc.;
2. The applicant's industry, business status, etc.;
3. Circumstances where the applicant has been found to have engaged in the malicious registration of trademarks or infringed on the exclusive rights of other people's registered trademarks by an effective administrative decision, ruling, or judicial decision;
4. Circumstances where the trademark applied for registration is identical or similar to another's well – known trademark;
5. Circumstances where the trademark applied for registration is identical or similar to the name of a well – known person, company name, abbreviation of the company name, or other commercial signs;
6. Other factors that the trademark registration department thinks should be considered.

The Beijing High People's Court also issued very extensive guidelines that, in terms of addressing trademark squatting, are similar to the provisions released by the SAMR.<sup>58</sup>

The new content of this article, alongside Article 8 of the Provisions on Regulating Trademark Registration Acts, must be recognised as a step forward from the old regulation, and should be a somewhat effective tool in opposing and invalidating bad faith registrations. The provisions released by SAMR will enable the effective assessment of applications that are trying to trick the trademark office into believing that this application is not filed in bad faith and with no intention of using the trademark, for example by providing fake proof of intention of using it. Article 7 of the Trademark Law establishes the general principle of good

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<sup>58</sup> Guidelines for the Trial of Trademark Right Granting and Verification adopted 24 April 2019.

faith in the application procedure and in using the trademark, which can help to justify the rejection of the application to register the trademark.

The next provisions concerning bad faith registrations are Articles 13 and 14, which introduced the well – known marks doctrine to Chinese Trademark Law. The introduction of the marks doctrine is required by Article 6bis of the Paris Convention for the Protection of Industrial Property and Article 16 of the Agreement on Trade – Related Aspects of Intellectual Property Rights.<sup>59</sup> The People’s Republic of China, as a member of World Intellectual Property Organization and as a signatory of the Paris Convention, had to implement the marks doctrine into its domestic legal system. The well – known marks doctrine provides protection to unregistered trademarks that gained some recognizability prior to registration.<sup>60</sup> In most of the countries that use the Latin alphabet<sup>61</sup>, the marks doctrine is enough to protect trademarks, however, the previously mentioned nuances of the Chinese language and society mean that the marks doctrine is ineffective in China, because of the practice of using translations or transliterations of trademarks by Chinese media and by the Chinese themselves.<sup>62,63</sup> Proving that a trademark was indeed “well – known” prior to its registration, when the dispute is about a translation or transliteration which was not created by the rightful owner of the trademark, proves to be very hard, sometimes even impossible.<sup>64</sup> If the filing is made to register a translation or transliteration of a trademark in Chinese, the literature outlines two obstacles that reveal the weakness of the marks doctrine in China. The first one is the fact that the translations and transliterations of trademarks are usually

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59 D. C. K. Chow *Trademark Squatting...*, p. 70–71.

60 Article 13 and 14 of Trademark Law of People’s Republic of China.

61 Russia, that uses Cyrillic instead of Latin alphabet, and China are named as prime examples of countries where trademark squatting has taken place. See: Sangsuvan *Trademark Squatting...*, p. 255.

62 S. Chang, *Combating Trademark Squatting in China: New Developments in Chinese Trademark Law and Suggestions for the Future*, “Northwestern Journal of International Law & Business” 2014, vol. 34:337, p. 354.

63 D. C. K. Chow *Trademark Squatting...*, p. 75–80.

64 D. C. K. Chow *Trademark Squatting...*, p. 84–92.

not created by their foreign owners, but by the Chinese media.<sup>65</sup> The second one is the multitude of possible translations and transliterations.<sup>66</sup> These two obstacles make it more difficult for the foreign entity to prevent the bad faith registration by objecting to the filed application, or to invalidate it on the basis of Article 13 after the registration was granted.

Article 15 also introduces a protection against bad faith registrations. It is divided into two paragraphs. The first paragraph establishes protection against an unfaithful agent or representative that seeks to register his client's trademark in his own name. If the client objects to such a registration, the registration shall be rejected, and the use of such trademark shall be prohibited. The weakness of this regulation is the requirement of objection by the client. A client believing in professionalism of an agent or representative might not be aware of an ongoing fraud up to the point when the trademark is going to be registered. The second paragraph of this Article introduces the prohibition of the registration of a trademark, if the applicant is clearly aware of the existence of the trademark of another company, due to contractual, business, or other relationships with another party which is the rightful owner of the trademark. Such other relationships would be, for example, family ties. Unfortunately, here it is also required by the law for the rightful owner to object to the registration. Perhaps in the case of Article 15, stipulating the requirement of making a statement secured by criminal sanction would greatly improve the effectiveness of the protection against unfaithful agents or representatives.

Articles 18 to 20 need to be mentioned too. These articles introduce the requirement of registering the trademark by foreign entities through trademark agencies, the requirement of acting in good faith by agencies, and the requirement of applying disciplinary measures against employees disobeying the industry's self-disciplinary standards. These articles were enacted to secure the interests of entities that are required by law to use the trademark agencies and to regulate the behaviour of

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65 D. C. K. Chow *Trademark Squatting...*, p. 74.

66 D. C. K. Chow *Trademark Squatting...*, p. 74–75.

these agencies when it comes to bad faith trademark registrations. The agencies should not accept the entrustment of their principal, if they know or should have known that the trademark entrusted by the principal violates the provisions of Articles 4, Article 15 or Article 32. If the trademark was already entrusted by the principal, and its registration may fall under circumstances in which registration is not allowed, the agency should inform the principal. Article 19.4 prohibits trademark agencies from applying for registration of the trademarks that were not entrusted to them. That means that trademark agencies are not allowed to register any trademarks unless they were instructed to do so by their client.

Article 32.2 introduces the protection of unregistered trademarks that are already in use by another person and have a certain influence from registrations with the use of illegitimate means. This article does not explicitly mention bad faith trademark registrations, but the term ‘illegitimate means’ suggests the fact that the trademark is being registered in a bad faith.<sup>67</sup> This article does not seem to be the easiest article to interpret and should be rewritten and expanded in the future amendments to the Trademark Law.

Articles 33 to 35 lay down procedures that allow the rights provided for in the Trademark Law to be pursued by specifying in detail when third parties can object to the registration or apply for second review, and the timeframe in which the trademark office has to make a decision. For example, when the trademark is in violation of Articles 4, 10, 11, 12, 19.4 of the Trademark Law, the period for raising an objection is three months from the date of the preliminary review announcement.

Article 44.1 lists articles 13.2, 13.3, 15, 16.1, 30, 31, 32 that include absolute grounds for invalidation and adds that any registration obtained by fraudulent or other illegitimate means shall also be declared invalid. In practice, the illegitimate means mentioned in Article 44.1 are used to

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<sup>67</sup> M. Chen, X. Liu, *Bad faith filings in the Chinese Trademark Law: evolution, status quo and improvements*, “Queen Mary Journal of Intellectual Property” 2020, vol. 10 no. 3, p. 314–315.

invalidate trademarks registered in bad faith.<sup>68</sup> Article 45 lists the same articles as article 44.1, but this time they are listed as a relative ground for invalidation. This article also stipulates that the holder of the prior rights of a trademark registered in bad faith is not limited by a five year period to request the trademark review.

As can be seen, there are numerous provisions of Chinese Trademark Law that regulate the bad faith trademark registrations scattered all over Chinese Trademark Law. Some of them overlap each other, some of them are not precise enough and require far-reaching interpretations, some could work well in a Western country, but not in China, where a vastly different trademark “culture”, which is an outcome of the causes outlined in this article, makes these provisions inadequate to the challenges that trademark law faces in China. It seems that Chinese Trademark Law still does not provide an adequate level of protection of trademarks from bad faith registrations. Introducing the bad faith filing as an independent absolute ground is cited as a necessity for reducing the numbers of bad faith trademark registrations.<sup>69</sup> It seems that a general overhaul of the provisions of the Trademark Law concerning the bad faith trademark registrations is required too. The harmonisation of various provisions and clarifying some other would be beneficial to solving the issue of bad faith trademark registrations.

## Conclusions

The uniqueness of the Chinese economy, culture, language, society, and law compared to Western countries entails that the practice presented in this article is troublesome even for international companies with vast resources at their disposal. Without proper knowledge and understanding of trademark law in China, which they most often lack, they are left vulnerable to the squatters, and are an easy target to profit from. However, these

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68 M. Chen, X. Liu, *Bad faith filings...*, p. 311.

69 M. Chen, X. Liu, *Bad faith filings...*, p. 317, 320.

companies are not the only ones to blame, since they are not protected enough on grounds of the Trademark Law of the People's Republic of China. Each amendment of the Trademark Law brings gradual improvement, but even after almost 40 years since enacting the Trademark Law and adopting many international sources of law relating to trademarks, Chinese trademark law is still not good enough to sufficiently protect foreign entities in such a unique country as China. Despite that, foreign entities are not defenceless and, especially the bigger ones are able to hire professionals in areas of language, culture, and the legal system of China. Unfortunately, the support of professionals is often sought after a harmful bad faith registration has been made. Over time, with Chinese economic growth and the spread of knowledge about Chinese trademark law, the practice might start to slowly disappear, but this will not happen if the Trademark Law does not receive appropriate amendments.

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## **SUMMARY**

### **Trademark Registration in Bad Faith in the People's Republic of China – the Causes and an Analysis of Provisions of Chinese Law.**

Bad faith trademark registrations in the People's Republic of China are a longstanding issue. The PRC's Trademark Law amendment of 2019 changed some articles relating to the bad faith trademark registration.

The goal of this Article is to analyse the sources of this issue and examine the provisions of Chinese Trademark Law to understand how well foreign entities are protected against trademark squatters after the 2019 amendment.

The causes of this issue were found in China's unique economic position, the Chinese language, Chinese society, and Chinese culture. The analysis of the amended version of PRC's Trademark Law found that, in fact, the Chinese legislator made some enhancements, but unfortunately it seems it is not going to be sufficient to protect the rightful foreign owners of trademarks in an effective way.

**Keywords:** trademark law, the People's Republic of China, bad faith trademark registration, trademark squatting.

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