

Weeding out bad faith trademarks

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In December 2021, the China National Intellectual Property Administration (CNIPA) issued penalties against two trademark agencies by suspending acceptance of one agency's trademark cases for 12 months and permanently barring trademark cases from the other.

This article analyses these decisions and the laws and regulations that assist trademark owners and professionals in understanding and avoiding possible losses due to trademark agencies' improper conduct.

Outline of the punishment

One of the punished agencies is Jiangsu Bai-Nian Trademark Agency (Bai-Nian).

From January 2018 through to March 2020, Bai-Nian filed, in the name of its three controlled companies, up to 803 trademark applications, including many trademarks identical to or like trademarks used by others, and sold these trademarks for profit.

The CNIPA deemed that Bai-Nian's conduct constituted severe legal breaches due to its obvious bad faith, long duration and the noticeably large number of illegal trademark applications filed. The IP office decided to permanently stop accepting this agency's trademark cases.

The other punished agency is Guangzhou Zhong-Chuang International Brand Management (Zhong-Chuang).

From January 2019 through April 2020, Zhong-Chuang filed 635 trademark applications on behalf of 58 companies registered in Colorado, US; London, UK; and Hong Kong, China.

The registered company names of these 58 applicants were identical to those of large brands, including Amazon, Hasbro, Disney, Kimberly-Clark Worldwide and Bayer.

However, there was no relationship between the agencies' filings and these international companies.

These 58 applicants were intended to cause misidentification. Of the 635 trademark applications, 224 applications are identical to or like trademarks registered or used by the true owners. The CNIPA deemed that Zhong-Chuang's conduct severely disturbed the trademark representation market and decided to suspend acceptance of its trademark cases for a period of 12 months.

Legal basis of the punishment

To curb bad faith filings, the revised Chinese Trademark Law prescribes more responsibility for trademark agencies, holding that:

"Where a trademark agency knows or should know that a trademark application was filed in bad faith and without intention to use, or constituted an agent's or representative's piracy of a principal's trademark, or piracy of a third party's prior used trademark with certain fame, namely, violating Articles 4, 15 and 32 of the Trademark Law, the trademark agency shall refuse the applicant's entrustment"; and that:

"Trademark agencies shall not file trademark applications in their own name on goods and services other than 'trademark agency services' in class 45".

The scope of the application of the above restrictions has been expanded. This means that where a Chinese company's registered business scope covers "trademark agency services" or "IP agency services", even if it has not been registered as a trademark agency and it has no business relating to trademark agency, its trademark application on goods or services other than "trademark agency service" in class 45 will be directly rejected.

The good news is that such restriction on applicants' registered business scope is not applicable to foreign entities.

These restrictions have contributed significantly to curb bad faith filings. However, there are still some applicants and trademark agencies who try to evade them.

In the first case of punishment, the business scope of the three applicants did not cover "trademark agency services" or "IP agency services", but they all

bore the name “Zhongming Liu”, who was discovered to be a Bai-Nian shareholder.

In the second case, there seems to be no shareholding relationship between the trademark agency and the 58 applicants. However, all the applications of these 58 companies were handled by an executive named Liuliu Luo of the agency, undoubtedly not a coincidence.

Lessons to learn

On December 10, 2021, the United States Patent and Trademark Office (USPTO) issued its final order for sanction against Huanyee Intellectual Property for violating the USPTO’s trademark rules of practice.

Accordingly, all trademark application proceedings involving submissions by Huanyee, namely more than 15,000 US trademark applications, were ordered to be terminated. The trademark owners’ loss can hardly be calculated.

Compared with the USPTO’s order, the CNIPA’s decisions of temporary suspension and permanent termination, are far lighter. The trademarks filed by the two agencies were not directly cancelled or invalidated. Nevertheless, trademark applicants in China, especially foreign applicants, still need to be more careful to select reliable trademark agencies.

For example, when and if a registered trademark encounters non-use cancellation, the Notification of Response will be served to the recorded trademark agency as well as the “domestic documents receiver” which is normally filled in with the name of a staff member on the trademark agency.

In this scenario, the punished agencies’ failure to report or forward the said Notification of Response will probably result in the cancellation of the trademark in question.

The second case of punishment also suggests a new direction for exploring opposition or invalidation grounds. It has become highly advisable to check the opposed parties’ registered business scope to find out whether “trademark agency services” or “IP agency services” are covered. It is also recommended to extend the exploration to opponents’ related companies. The related companies’ engagement in trademark agency services might also help prove the opposed parties’ bad faith.

New trends

According to official statistics, in the first 11 months of the year 2021, the CNIPA rejected or disapproved more than 480,000 bad faith trademarks without intention to use.

Administrative punishment is no longer restricted to trademark applicants, but also includes trademark agencies. Such new trends show the government's determination to curb trademark piracy. We hope these restrictions upon trademark agencies will help build a healthier and more prosperous IP market.

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