

Bad-Faith Trade Marks in China

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China has a widespread and systemic problem with bad-faith trade mark applications. For the purposes of this factsheet, bad-faith trade mark applications are defined as pre-emptive, unauthorised applications for trade marks that the applicant knows to have been used and developed by others (within mainland China and/or internationally).

Bad-faith applicants in China target both domestic and international brands, seeking to extract payment to transfer marks (“trade mark squatting”) or to piggy-back on the reputation of established brands. The issue of Bad-faith trade mark applications is the single most common business irritant reported to the British Embassy in Beijing, affecting hundreds of marks each year across all industry sectors. China has introduced measures to tackle bad-faith applications since 2019, yet the situation remains serious.

Prevention better than cure

Trade marks, like most intellectual property (IP) rights, are territorial. Registered IP rights in the UK, EU, Hong Kong or elsewhere will not provide effective protection in mainland China. Most trade mark systems are a combination of the first-to-file principle (where earlier applications

take precedent) and protection for unregistered marks. The Chinese system puts greater emphasis on first-to-file, although bona fide use intent has been increasingly emphasized since 2019.

The most effective way to guard against bad-faith applications is to apply for trade mark protection in China as early as possible. British companies can apply for trade marks in China through the [Madrid system](#) for the international protection of trade marks, or file directly with the China Intellectual Property Administration (CNIPA). Common types of trade mark applications in China include English-language word marks, Chinese character marks, stylised logos and combinations of these elements.

Although it is possible to use the Madrid system to make a Chinese trade mark application [without attorney representation](#), in most cases it is better to seek expert advice from a trade mark attorney. Most communications with the CNIPA are undertaken by Chinese trade mark agents. British companies typically access these services via one of two channels:

- 1) **They use a UK trade mark attorney as an intermediary.** Many British IP attorneys have established relationships with Chinese

Speculative emails

Companies in the UK regularly report emails from agents in China warning that their trade mark is about to be targeted by a pre-emptive, unauthorised application. The email will typically offer to help secure the mark on behalf of the international company.

Companies receiving such emails should take the information seriously but contact their usual attorney to obtain the necessary trade mark protection in China. Engaging the company that sends the speculative emails risks further incentivising bad-faith behaviour.

For more information on this and other IP scams in China see this [guide](#) published by the EU IPR SME Helpdesk.

agents. This makes communication more straightforward and reduces the need for applicants to undertake separate due diligence, but using an extra intermediary can add to the cost of the applications. If your usual attorney cannot help with international applications, the Institute of Trade Mark Attorneys (ITMA) has a trade mark expert search function on its [website](#).

- 2) **They directly instruct a Chinese trade mark attorney.** The [China-Britain Business Council](#) (CBBC) helps connect UK companies with suitable IP service providers, including both UK firms with China experience and domestic Chinese companies with international clients.

More general information about registering and enforcing IP rights is available in our [Intellectual Property in China](#) factsheet. The EU China IPR SME Helpdesk also publishes a detailed [Guide to Trade Mark Protection in China](#).

Early-stage protection against bad-faith

The prevalence of bad-faith applications in China means British rights holders considering trade mark applications in China need to be aware of certain features of the Chinese trade mark system:

- **Pre-application search:** Trade mark attorneys provide specialist search services to discover prior applications that may prevent your trade mark being registered. Attorneys can also provide strategic advice based on the search results. The EU IPR SME Helpdesk publishes a [step-by-step guide](#) to searching the Chinese trade mark database on the [CNIPA website](#).
- **Sub-classification:** Trade mark applicants need to select the goods and services for which they would like protection, choosing from a list of trade mark classes. Most trade mark offices, including the CNIPA, follow a standard [international classification system](#). However, China also implements a unique system of sub-classification, meaning that applicants choosing higher-level class headings may not receive the same scope of protection as an equivalent application in other countries.

Applicants should speak with their attorney to ensure they receive the desired coverage of protection in China, and do not leave themselves vulnerable to bad-faith applications in sub-classes corresponding to key product lines.

- **Defensive applications:** A defensive trade mark application is a registration in a class for which the applicant does not yet intend to use a mark. Defensive applications are usually discouraged. They add expense and can restrict space for legitimate brands to develop.

However, for marks with a high-risk of being targeted by bad-faith applications in China (e.g., luxury or high-profile consumer brands) defensive applications for related products may save significant time and expense. As is discussed in more detail below, China provides limited cross-classification protection for well-known marks, and does not formally recognise the concept of “brand dilution”. Class 25 (clothing) and Class 18 (leather goods) and Class 35 (services of providing goods sales information) in particular are targeted by bad-faith applicants.

Tackling bad-faith applications

British companies may become aware of bad-faith applications in China from a number of sources. The CNIPA may cite an earlier mark as a reason to refuse a Chinese trade mark application. Trade mark attorneys and other monitoring services may spot a bad-faith application progressing through the Chinese system. A business partner may refuse to purchase products or conclude a license agreement due to uncertainty over the ownership of a brand in China. Or a bad-faith applicant may bring an infringement action through the Chinese IP enforcement system.

As in other jurisdictions, the administrative options available to victims of bad-faith applications depend on which stage of the Chinese trade mark system the disputed application has reached.

Bad-Faith applications in China: Top tips

- Register your trade marks in China as soon as possible. If you don't, someone else will.
- When applying for trade marks, speak with your trade mark attorney about China's unique sub-classification system. Are there gaps in the coverage of your trade marks which make you vulnerable to bad-faith applications?
- Consider defensive filings in high-risk classifications (and Classes 18, 25 and 35 in particular). Defensive filings may be vulnerable to non-use cancellation actions, though most opportunist squatters do not go to this amount of trouble.
- Carefully consider the grounds on which to file a challenge to a bad-faith application. Prepare for a "kitchen sink" approach in China: it is common to cite multiple grounds in trade mark cases.
- Expect tight administrative deadlines and high evidence burdens, especially for any evidence introduced from overseas.
- Can the UK's IP attaché to China help? We are always happy to share the benefits of our experience working with hundreds of UK companies in China each year.

- **Opposition:** If a mark has not yet been granted in China then an opposition can be filed with the CNIPA. Oppositions must be filed with evidence of earlier rights within three months of publication of the disputed mark. More supporting evidence can be supplemented in the subsequent three months.

In the event of an unsuccessful opposition the mark will be approved for registration. No appeal is possible. If an opposition is successful, then the original applicant has the option to appeal for a review within the CNIPA and subsequently to the Beijing courts.

- **Invalidation:** If a bad-faith application has been accepted by the CNIPA (including following an unsuccessful opposition) then an invalidation action can be filed after the registration is granted. If an invalidation action is brought on "relative grounds" (i.e., due to conflicts with other existing trade marks or copyright or other types of private rights/interests) then the action must be filed within 5 years of the date of registration of the disputed mark. If an invalidation action is brought on "absolute grounds" (i.e., the mark is unsuitable for registration for reasons connected with

public interest) then the action can be filed at any time.

A decision on invalidation petition is usually more detailed and reasoned than the decision on opposition, which either party can request to be reviewed by the Beijing courts.

- **Non-use cancellation:** If a registered trade mark has not been used for three consecutive years then a cancellation application can be filed at the CNIPA. The owner of the mark is given an opportunity to provide evidence of use. Non-use cancellations can be relatively successful in tackling squatters that have no intention to use or license marks, and that are not prepared to falsify evidence or implement nominal use in order to maintain a registration. A non-use cancellation can be filed on speculative basis. The onus is entirely on the registrant to prove use. Prior to filing a non-use cancellation attorneys will usually conduct desktop searches to understand the status of use of the mark. A more detailed investigation is generally not necessary.

One other approach to resolving a bad-faith application is to negotiate with the applicant and agree a payment to transfer ownership of the mark. For many companies a negotiation may be preferable to a lengthy legal battle that may not

always be unsuccessful. However, purchasing marks from squatters can be costly, and incentivises further bad-faith applications. There is also the risk since 2021 that the transfer request might be rejected by the CNIPA if the original applicant is considered to be a bad-faith filer. Please consult your trade mark attorney before reaching out to a squatter.

Some companies may also choose to **re-brand**, changing product names and/or logos for the Chinese market to prevent a squatter from blocking market entry. However, in some industries (e.g., cosmetics) the cost of obtaining regulatory approval for products marketed under new branding can be prohibitive, and changes can be confusing if Chinese consumers are already familiar with the global brand.

Grounds

Opposition or invalidation requests must be filed with reference to specific grounds listed in the Chinese Trademark Law. The Trademark Law includes a provision requiring trade mark applications to be made in good faith out of genuine commercial need (Article 7, the Chinese term being more directly translated as “with honesty and credibility”; Article 4, any malicious application for the registration of a trade mark not intended for its use shall be rejected).

Article 7 is not listed as explicit grounds for opposition or invalidation, and is considered merely to be a guiding principle. Grounds listed elsewhere in the law must be selected to support actions against bad-faith applications. These grounds can include:

- **No genuine intent to use and bad-faith** (Article 4): An objection on absolute grounds introduced in 2019, which may tackle applicants who hoard trade marks or copy or imitate established brands. Considerations are particularly drawn to including a large number of applications filed within a short period of time, wide range of classes of goods/services beyond the business scope, making a number of applications for established brands.
- **Deceptive or improper means** (Article 44): An objection on absolute grounds which has successfully tackled applicants with a pattern

of bad-faith behaviour, for instance those copying various established brands. Considerations are particularly drawn to including a significant number of marks being copied, distinctiveness and reputation of marks being copied, post-registration behaviours (bring malicious lawsuits, peddling marks in bundles, passing off).

- **Contrary to socialist ethics and customs** (Article 10.1.8): An absolute grounds argument that has been successful in bad-faith cases. However, appeal courts have stressed the public-interest emphasis of this principle in Chinese law and been less supportive to such claim. Other grounds are preferred if available.
- **Protection for unregistered marks and other prior rights with certain influence** (Article 32): An objection on relative grounds to protect prior rights against “improper pre-emptive registration” in same/similar classes.

Prior rights protected under this provision can cover a broad range of rights, including trade marks not yet registered in China, copyright in stylised logos, company names, personal names and other legal interests such as merchandising rights.

Evidence must be provided of ownership of the prior rights. Evidence must also demonstrate reputation in mainland China (preferably through use in mainland China) with the exception that use and reputation is not required where copyright is claimed.

An earlier published trade mark plus a copyright recordal even posterior to the application date but with predating creation date can be seen as prior right in some cases till proved otherwise.

For the protection of names of works including characters and other elements within them as prior rights, a comprehensive considerations including 1) the original work is protected under the copyright law; 2) distinctiveness for the name of works; 3) the public would be misled to believe the mark is linked to the underlying work; 4) the works enjoys a high level of reputation,

arousing the emotional attachment to the public; 5) likelihood of bad-faith should be taken into account.

Overseas use contributing to reputation under Article 32 may also be considered. Factors include cross-border e-commerce sales route such as whether marketing/website is written in Chinese language, post sales service, and how Chinese public become aware of the trade mark, etc.

- **Contracts and prior business relationships** (Article 15): An objection on relative grounds. Opponents must prove an earlier business relationship that led to awareness of an unregistered trade mark, for example through email correspondence. This provision requires prior use of the mark in China but does not require proof of reputation.
- **Well-known trade marks** (Article 13): Well-known mark status – and the cross-classification protection it brings – remains extremely difficult for all brands including international brands to obtain in China. A large amount of supporting evidence must be provided, and applications are also

subject to an element of subjective recognition by senior trade mark officials. Evidence of publicity (duration, geographical coverage, and extent), previous records of protection by Customs, and the branding charts (e.g. Fortune 500) are particularly useful for international brands.

The threshold for reputation for well-known mark status is significantly higher than for “certain influence” under Article 32 (see above). For foreign brands, evidence typically includes duration of use/registration in China, geographical coverage, marketing expenditure, previous enforcement cases and global brand rankings. For more information see our factsheet on [Well-Known Trade Marks in China](#).

- **Similarity in marks and goods/services** (Articles 30 and 31): A relative grounds for refusal to register a mark but can be used more flexibly in bad-faith cases where opponents have earlier trade mark registrations or applications on goods/services that are argueably close in nature to those covered in the bad-faith applications or registrations.

To arrange a discussion of particular IP cases with the British Embassy Beijing IP Attaché team – based on our experience working with other companies in China – please contact Commercialmail.beijing@fcdo.gov.uk. For more information on IP in China can be found on our [China IP Webpage](#).