# Lower threshold for preventing bad-faith trademark registrations

**To prevent bad-faith rush registrations, Chinese courts have lowered legal thresholds in relation to 'certain influence' and 'actual use' requirements**

By Jan Liu, LexField Law Offices

Although China is a first-to-file country, according to Article 31 of the Trademark Law, no one can register, through illegitimate means, a trademark that is already in use by another party and that has acquired 'certain influence'.

Article 31 stipulates that the mark's influence must be established in a bad-faith dispute. However, Chinese trademark law fails to specify explicitly the criteria by which a mark is deemed to have acquired certain influence. It is accepted that a mark can acquire certain influence only where it has been used commercially and is capable of distinguishing the origin of goods or services, rather than acting as a pure word or device sign. A sign that has not acquired certain influence cannot be protected as a prior trademark and is thus insufficient to prevent a bad-faith trademark registration, unless it is entitled to other legal rights (eg, copyright). In practice, striking a balance between 'bad faith' and 'certain influence' when applying this article is a controversial and fundamental issue.

In trademark oppositions and follow-up lawsuits in recent years, the Chinese trademark authorities have held the bar high in terms of the 'certain influence' requirement, which has consequently prevented a rush in registrations of previously used trademarks – especially of foreign marks that are well known in other jurisdictions, but not used extensively in China. Nonetheless, since 2012, the Beijing courts have opined that the burden of proof for the 'certain influence' requirement should be alleviated where obvious bad faith is found. As such, the courts tend to focus on restraining bad faith in order to develop a fair, credible and competitive market system.

As a civil law country, China has no legal precedent system, and prior judgments may not necessarily be binding in subsequent cases. Nonetheless, judgments of upper-tier courts normally provide valuable references – in particular, lawsuits related to trademark oppositions and cancellation disputes before the courts of Beijing, where the Trademark Review and Adjudication Broad (TRAB) is located. Thus, judgments of the Beijing High People's Court can be influential for such trademark lawsuits and opposition cases.

## Beijing court decision

In a dispute between French company Laboratoire Nuxe, the TRAB and Cangyu Zheng (an individual) regarding the mark NUXE, on May 14 2013 the Beijing High People's Court handed down a final decision in Nuxe's favour.

Zheng applied to register the mark NUXE for cosmetics (Application 3747592). Nuxe filed an opposition with the Trademark Office (TMO) under Article 31 of the Trademark Law, arguing that the application constituted a rush registration of its NUXE trademark, which had not been registered in China, but had acquired influence throughout the Chinese territory in relation to cosmetics. The TMO dismissed the opposition and the TRAB upheld this decision in review proceedings. On appeal, on September 19 2012 the Beijing First Intermediate People's Court overturned the TRAB's decision and found that the NUXE mark had acquired certain reputation and influence in China through promotion by others,

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even though the mark had not been used in China. The court held that the application was an obvious rush registration in bad faith of the NUXE trademark "that has certain influence". Zheng appealed to the Beijing High People's Court, which upheld the Beijing First Intermediate People's Court's decision by finding that the facts of the case were clear and that the law had been applied correctly.

The core issue of this case was whether a trademark that has not been used commercially by the rights holder, but has been promoted by third parties, constitutes "a trademark that has been prior used and has certain influence", as stipulated in Article 31 of the Trademark Law.

The Beijing First Intermediate People's Court and the Beijing High People's Court held that for legal purposes, as stipulated in Article 31 of the Trademark Law, the burden of proof for the 'certain influence' requirement should be alleviated in cases in which an obvious rush registration in bad faith is evident. Foreign trademarks that are well known outside China could also be entitled to protection if they have entered the Chinese market and have become influential in the relevant sector.

**Response**

In its internal reference journal *Forensic Communication* (no 1, 2013), the TRAB published an article entitled "A Summary and Analysis of the TRAB Administrative Lawsuits in 2012", in which it commented on the *NUXE* case and supported the court's breakthrough in applying the law. Meanwhile, the TRAB also clarified that for the purpose of preventing rush registrations in bad faith, burden of proof shall not be set by rote: the burden of proof for the 'bad faith' requirement will be alleviated where a previously used trademark has acquired much influence and two parties' marks are substantially similar. The burden of proof for the 'certain influence' requirement will be alleviated where an obvious rush registration in bad faith is involved. It is thus evident that the courts' opinions in the *NUXE* case will likely be reflected in the TRAB's future decisions on trademark oppositions and cancellation disputes; this is welcome news for owners of trademarks that are well known outside China.

For the purpose of preventing rush registrations in bad faith, Chinese courts have emphasised lowering legal thresholds in such cases. The definition of 'certain influence' of prior trademarks shall not be held to a high standard. For foreign trademarks which are well known outside China, the burden of proof for the 'actual use' requirement shall not be heavy, provided that the marks have entered the Chinese market or are known to the relevant Chinese public through activities such as sales, exhibitions and advertisements.

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