Legal Regulation of Trademark Registration in Bad Faith

Bingyi Lyu

East China University of Political Science and Law, Shanghai, China

Abstract. With the continuous development of China's economy and increasing awareness of trademark protection among all sectors of society, the problem of bad faith registration is a growing concern in China. However, the current concept of bad faith trademark registration is unclear, instead making it ineffective and even increasing the cost of defending the rights of enterprises. The purpose of this article is to study in depth the legal issues of malicious trademark registration in China, to define the behaviour of malicious trademark registration, to elaborate the reasons for the phenomenon, and finally to put forward suggestions to improve the legal regulation of malicious trademark registration, with a view to providing references and guidance for the relevant legal practice.

Keywords: Enter key words or phrases in alphabetical order, separated by commas.

1. Introduction

With the rapid development of China's economy, the number of trademark applications has risen sharply, and the phenomenon of trademark registration in bad faith has become increasingly serious. According to the statistics of the State Intellectual Property Office (SIPO), the SIPO has rejected as many as 39, 000 irregular trademark applications, including bad faith registration, in 2019, and has cracked down on 249, 000 malicious trademark registrations in the first half of 2023 (Gong and Zhang, 2021).

China's Trademark Law was amended four times in 1993, 2001, 2013 and 2019, and the 2013 Trademark Law added the principle of 'honesty and credit', which is considered to be the core principle for the application, registration and use of trademarks. In addition, a series of new provisions were added to regulate bad faith registrations, and the 2019 amendments added an absolute prohibition on 'bad faith registration of trademarks without the purpose of use,' which is intended to curb the hoarding of trademarks and bad faith registration of trademarks without the purpose of use. In addition, the law has also regulated the act of bad faith registration in some provisions, such as Articles 13, 15 and 32 of the Trademark Law (Dai, 2019).

Although the Trademark Law has been amended several times to increase the provisions regulating bad faith registration, there are still many problems in practice. For example, the determination standard of bad faith registration is ambiguous and lacks a unified standard, which leads to difficulties in the application of the law. The legal penalties for bad faith registration are too light, resulting in high costs for the relevant right holders to defend their rights and difficulties in obtaining corresponding compensation. The definition of bad faith registration is not clear enough in the current law, which makes it difficult to effectively curb such behaviour in judicial practice. In judicial practice, the courts are usually guided by the principle of honesty and good faith to regulate bad faith registrations. For example, the Beijing Intellectual Property Court emphasised the effective combating of bad faith registration when hearing relevant cases. When the determination of bad faith registration is controversial, the court often only awards compensation without cancelling the disputed trademark when hearing relevant cases, which makes it difficult to thoroughly curb the bad faith registration behaviour (Beijing Intellectual Property Court Trademark Research Group, 2024).

Bad faith registration behaviour often infringes on the legitimate rights and interests of prior rights holders, such as the goodwill and market reputation of well-known brands. It also leads to the waste of trademark resources and excessive consumption of administrative and judicial resources, disrupts the normal market order and the order of trademark registration and management, and negatively affects the public interests of the society, such as hampering the goals of fair competition and innovative development (Ma and Yang, 2023).

The problem of 'trademark registration in bad faith' has long been a problem that needs to be solved in the field of trademark jurisprudence. Many scholars have conducted in-depth research on this issue and put forward many valuable theoretical results. However, the definition of 'trademark registration in bad faith' is still controversial, and the corresponding regulatory measures are also incomplete. The purpose of this paper is to analyse the key elements of 'trademark registration in bad faith', and put forward practical suggestions for improvement in view of the deficiencies in the current regulation. It is hoped that these efforts can promote the accurate identification of 'trademark registration in bad faith', and to a certain extent, make up for the gaps in the existing research on the regulation of 'trademark registration in bad faith'.

2. The Defintion of Trademark Bad Faith Registration Behaviour

2.1. The concept of trademark registration in bad faith

Recently, 'bad faith registration' has become the focus of discussion in the industry. But the concept of trademark registration in bad faith has not been clearly defined. In view of the practice of trademark registration in bad faith in a variety of complex situations, the specific implementation of its diverse characteristics, coupled with the lack of authoritative legal documents clearly explained, resulting in trademarks in bad faith in all levels are presented with a certain degree of ambiguity. This phenomenon has also caused extensive controversy in the academic community, different scholars for the understanding of the trademark and the definition of the act of malicious trademark infringement there are significant differences.

The concept of 'bad faith trademark registration' is the basic element and basic unit of related research, and there are different understandings on how to define bad faith trademark registration. There are also differences in the understanding of the concept of 'malice'. In China's jurisprudence, the term 'malice' is usually used to describe a subjective state of mind, i.e., 'knew' or 'should have known' that a trademark has been registered in bad faith. 'Should know'. However, in the academic discussion of the Trademark Law, the concept of 'registration in bad faith' has far more connotations than that, and its definition is actually broader, involving more complex legal judgement and moral evaluation (Sun, 2018).

According to Article 4 of China's Trademark Law, a narrow definition of bad faith registration behaviour refers to a trademark application that is not intended for use and shall be rejected by the Trademark Office. This provision applies on the one hand to stop the behaviour of trademark hoarding (Wang, 2019), on the other hand, it does not apply to the defensive registration behaviour of enterprises (Zhao, 2024). Trademark registration in bad faith is not exactly the same as trademark hoarding. Some enterprises carry out a large number of defensive registrations of trademarks similar to their main business, although it is 'not for the purpose of use', but out of the goodwill to protect their own rights and interests, not 'bad faith', which cannot be attributed to the category of bad faith registration. Trademark hoarding in bad faith is usually aimed at specific subjects, for the purpose of profit, infringing on their legitimate rights and interests, seizing public resources, and damaging the public interest.

In a broad sense, the act of registering a trademark in bad faith is not only limited to the situations explicitly stated in Article 4 of the law. It also covers a variety of other behaviours that violate the spirit of the law, including but not limited to those stipulated in the Trademark Law: registration behaviours against the principle of honesty and good faith, maliciously registering other people's well-known trademarks, registration by individuals who have a relationship of reliance with the trademark holder, registering trademarks for goods not originating from the region referred to by the geographical indications, as well as registering trademarks for the same or similar goods with identical or similar signs to those of other people who have already registered or initially examined their trademarks. The act of registering the same or similar mark on the same or similar goods as another person's registered or preliminarily approved mark.

To sum up, based on the civil law jurisprudence and the relevant provisions of the current law on

trademark registration in bad faith, we can summarise the definition of trademark registration in bad faith: acts in violation of the principle of honesty and good faith as well as the prohibitions of the law, with the purpose of harming the public interest or infringing on the legitimate rights and interests of others, and attempting to obtain the 'right' of the registered trademark through improper means(Gao and Wang,2020). This kind of behaviour is an abuse of the trademark registration system, which must be clearly defined and strictly sanctioned by law.

2.2. Types of trademark bad faith registration behaviour

2.2.1. Trademark bad faith registration in theory

With regard to the classification of trademark bad faith registration, some scholars divide it into two types, unfair competition and abuse of power. The applicant carries out the registration for the purpose of unfair competition, which is called the unfair competition type. This type can also be subdivided into two subtypes: Firstly, improperly seize the reputation of others, that is, 'free-riding'; secondly, intended to prevent the prior right holder to enter the market. Abusive registration, i.e., the applicant abuses its rights to obtain improper benefits, which can also be subdivided into two subtypes: 1) registration for purposes other than use, i.e., 'trademark hoarding'; and 2) registration based on obtaining economic benefits from prior rights holders (Sun, 2018). This classification method helps to identify the main types of bad faith registrations, but omits bad faith registration behaviours such as repeated applications. Some scholars classify bad faith registration into bad faith registration for non-use purposes, bad faith registration for non-legitimate means, and bad faith registration in violation of the legality clause according to the specific provisions of the Trademark Law (Wu, 2023).

2.2.2. Bad faith registration of trademarks in practice

According to statistics, if classified according to the object infringed by the trademark bad faith registration, it can be roughly divided into four categories: bad faith registration of well-known trademarks; bad faith registration of trademarks for industry terms and regional names; bad faith registration of personality rights such as names and nomenclature; and bad faith registration of font names (Zhao, 2024).

If divided according to the infringed interests, it can be roughly divided into two types: one is the malicious trademark snatching behaviour, i.e., 'beside the famous brand', 'rubbing the hot spot' and snatching the name of public figures, etc. with the core characteristics of damaging or attaching to the goodwill of other people, civil rights and legitimate interests; the other is the behaviour of trademark registration application; the other is the behaviour of trademark registration application with malicious intent. The other type of trademark registration application is not for the purpose of use, i.e., 'batch application', 'capturing resources' and other trademark registration applications with the core feature of disrupting or impacting the order of trademark registration and management. These two types are also known as 'malicious squatting' and 'trademark hoarding'.

Trademark hoarding has been described above. Regarding the malicious squatting, the concept of 'malice' is not only the core criterion for defining the bad faith registration behaviour, but also plays a crucial role in ensuring the fairness and legality of the trademark registration process, and becomes a key factor in determining whether the trademark squatting behaviour constitutes the bad faith registration or not. Some scholars hold the view that, in the absence of clear legal provisions, the conclusion of trademark infringement or unfair competition cannot be made easily for the act of trademark squatting by others. Instead, an in-depth analysis should be conducted for each specific case to avoid generalising all trademark squatting behaviour into bad faith registration (Ning and Ye, 2022). The author likewise believes that it is not in line with the rigour of the law to generalise the act of trademark snatching as malicious snatching. Therefore, it is necessary to clarify the scope of application of Article 4 (1) of the Trademark Law, and to consider a variety of relevant factors in order to fully prove the elements of 'not for the purpose of use' and 'malice'.

2.2.3. The significance of typology

The above research results undoubtedly provide valuable reference value for academics in

systematically sorting out the classification of bad faith registration. The typology research of 'bad faith registration' is not only from the demand of academic discussion, but also has a significant guiding effect on legal practice, especially in the absence of clear provisions of trademark law, and must rely on the application of general legal principles.

3. The Phenomenon of Trademark Registration of Malicious Reasons

3.1. Inherent defects of the trademark registration and acquisition system

Globally, the acquisition of trademark rights presents a diversified characteristic. Specifically, it can be summarised into three main modes of obtaining trademark rights: the use of trademark rights, the registration of trademark rights, and the integration of the use of trademark rights and the registration of trademark rights. Each of these modes has its own uniqueness, reflecting the legislative concepts and practical strategies of different countries in the protection of intellectual property rights. In China, the acquisition of trademark right follows the principle of registration. The application for trademark registration is a necessary condition for obtaining the exclusive right to use a trademark, and is also the only legal way to realise this right. It follows a series of legal procedures, such as trademark application, examination, publicity, etc., aiming to ensure that the process of acquiring trademark rights is not only open and transparent, but also the attribution of the rights can be clearly defined, thus providing a solid guarantee for the legality and legitimacy of trademark rights. However, under the registration system, when an applicant submits an application for registration of a trade mark, he does not need to provide evidence that the trade mark has been actually used, nor does he need to demonstrate his subjective intention to use the trade mark. As long as the statutory conditions for registration are met, the applicant can obtain trademark registration (Zhu, 2018).

The registration acquisition system does not stipulate that 'use' must be the prerequisite, but this system also makes people's enthusiasm for the registration of trademarks has been excessively mobilised, so that the phenomenon of malicious snatching and trademark hoarding occurs frequently, seriously disrupting the market order and infringing on the lawful rights and interests of the trademark right holders. Article 4 of the 2019 amendment to the Trademark Law emphasises the importance of the use of trademarks, but this provision is too broad and lacks specificity.

3.2. Low cost of malicious trademark registration

The low cost of trademark registration leads to frequent bad faith registration. China's paper application fee for 300 yuan (limited to 10 goods, more than part of each additional charge of 30 yuan), while the electronic application for 270 yuan (also limited to 10 goods, more than part of each additional charge of 27 yuan) (State Intellectual Property Office: List of Fees and Charges, source, 2024). In order to promote the convenience of the trademark registration process, China has implemented a series of reform measures, including, but not limited to, lowering the application fees for trademark registration, simplifying the registration process, and shortening the examination cycle. These initiatives are aimed at reducing the financial burden of the rights holders in the trademark registration process, and at the same time alleviating the pressure on the relevant departments due to the rising number of trademark registration applications. However, some unscrupulous elements may take advantage of these easy processes and lower thresholds to carry out trademark snatching or other improper acts. They carry out bad faith registrations at low costs to obtain illegal benefits, while legitimate rights holders need to invest a lot of manpower and resources to defend their rights, facing economic burdens and commercial risks, but still may face the result of losing the case.

3.3. Improvement of the legal system

Trademark registration in bad faith in China, the reason behind the current legal system is imperfect. The current 'Trademark Law' for trademark registration of malicious acts of legal responsibility is still defined vaguely, which in practice caused by the bad faith registration, trademark hoarding and other acts of combating the dilemma of ineffective. For example, although Article 4 of

the Trademark Law has increased the regulation on the registration of trademarks in bad faith without the purpose of use, the specific legal liability still needs to be further clarified. The article does not provide detailed provisions on who should bear the responsibility of proving the 'purpose of use' and the standard of proof in concrete practice.

The existing law is still insufficient to provide for the civil liability of malicious cybersquatters, and although the Exposure Draft introduces a civil compensation provision, there is still a certain ambiguity in the specific rules of application, which makes it difficult for the court to comply with the provisions of the law in the judicial practice (Feng and Chen,2023). This is also reflected in: the Supreme Court on the trial of the 'infringement of intellectual property cases applying punitive damages interpretation' stipulates the constitutive elements of the infringement of trademark registration in bad faith (Wang, 2020), but in practice, some judges have taken a more cautious attitude to this provision, they will not easily qualify the trademark bad faith registration as an infringement of intellectual property rights.

4. Suggestions for Improving The Legal Regulation of Trademark Registration In Bad Faith

4.1. Clear 'bad faith' determination standard

The unity of subjective 'malicious' determination standard is crucial for the protection of the order of trademark registration and public interest. Judge whether the perpetrator exists 'bad faith', the key lies in whether the perpetrator 'knows or should know' the existence of prior rights, if 'know or should know' the perpetrator still registered the commercial If the perpetrator 'knew or should have known' of the existence of the prior right and still registered the commercial mark, the subjective intent of 'malice' can be presumed (Su, 2017). It should be noted that the determination of malice can not only rely on the subjective intent, but also needs to be combined with the objective specific cases. For example, whether the applicant has the real intention to use the trademark, whether he or she obtains undue benefits through the registered trademark, etc. In practice, the court will usually consider these factors to determine whether the perpetrator has bad faith.

4.2. Strengthening the examination of intent to use

Although Article 4 of China's Trademark Law and Article 3 of the Provisions for Regulating the Acts of Trademark Application and Registration have clearly stipulated that the purpose of use is required for the registration of a trademark, no specific provisions have been made for the determination of the 'true intention of use'. The Lanham Act of the United States introduced the concept of 'intent to use' into the trademark registration system, allowing applicants to submit applications for registration of trademarks that have not yet been actually used, but must clearly state their intent to use. This system provides China with the possibility to learn from and innovate.

For example, when applying for registration of a trade mark, the examiner may require the applicant to submit proof of 'intention to use', stating that the applicant will actually use the trade mark after registration, and stating that he or she will be liable for any breach of the law, and may introduce a system of payment of a security deposit. During the examination process, the Trademark Office will take into account the applicant's business scope, whether the scope of use of the trademark is reasonable, and whether the trademark registration is in line with commercial practice, etc., to determine whether the applicant has a genuine intention to use the trademark. If the Trademark Office suspects that the applicant lacks the true intention of use, it may reject the application (Wei, 2023). For an applicant's application for registration of a prior-use trademark, the applicant must bear the burden of proof by providing evidence of authenticity, legality and relevance to prove its claim. The Trademark Office examines the evidence to determine whether the applicant has indeed used the mark in advance. In order to monitor the continued use of the trade mark by the trade mark owner, the trade mark holder is required to submit proof of use for the duration of the trade mark. This

requirement helps to identify whether the applicant has provided false certificates in the application. In addition, the State Intellectual Property Office (SIPO) is advancing the revision of the Trademark Law, with a view to adding provisions on the ex officio cancellation of trademarks and strengthening the obligation to use trademarks.

4.3. Increase the punishment

Trademarks are targeted by criminals as a profit-making carrier, an important reason is that the cost of trademark registration is cheap and profitable, but more importantly, the penalties and crackdown is insufficient, the cost of the offence is not high. Therefore, in order to effectively regulate the growing phenomenon of malicious trademark registration, it is necessary to increase the strength of the fight against malicious trademark registration and raise the cost of lawbreakers. Although the Trademark Law amended in 2019 has increased the punitive strength of malicious trademark registration, such as fines, warnings and other measures according to the severity of the subject of malicious trademark registration, the actual effect of this provision has not played the role expected at the time of the enactment of the provision due to a number of reasons.

In this regard, the author believes that to increase penalties should be: appropriate to broaden the scope of punishment. Expand the scope of penalties to participate in the malicious trademark registration and help the relevant subjects of the malicious trademark registration. Appropriate increase in the amount of compensation. For the prior subject in the trademark dispute until the beginning of the clear dispute trademark belongs to the period of the losses suffered, can be directly stipulated by the trademark malicious registrant to bear all the losses. In addition, according to the influence and goodwill value of the trademark in the market, the loss and the cost of defending the right and other factors, the infringer can be required to increase the amount of compensation. Finally, the multi-departmental joint penalty mechanism should be improved, cross-departmental case seminars should be held, complex or major trademark infringement cases should be jointly analysed and assessed, the data exchange and information sharing mechanism should be optimised, and the real-time sharing of key information, such as records of trademark registration, law enforcement data, and judicial precedents, should be realised among various departments.

5. Conclusion

Strengthening the research on the legal regulation of trademark registration in bad faith is particularly important for the improvement of China's trademark system and the maintenance of orderly economic development. The article firstly discusses the basic theory of the legal regulation of trademark registration in bad faith, starting from the basic element of 'bad faith', and then gradually going deeper into the definition of trademark registration in bad faith, as well as the typological analysis; after the completion of the basic theoretical research, it analyses the reasons for the frequent occurrence of the phenomenon of trademark registration in bad faith in China, which mainly include: defects of trademark acquisition system, low cost of trademark registration in bad faith, and imperfection of the legal system. After the basic theoretical research is completed, the reasons for the frequent occurrence of malicious trademark registration in China are analysed, which mainly include: defects in the trademark acquisition system, low cost of malicious trademark snatching, and imperfect legal system. In order to solve this series of problems, the experience of the legal regulation of trademark registration in bad faith in overseas countries and the inspiration to China are discussed immediately. Taking the United States as an example, the experience of foreign countries in regulating trademark registration in bad faith is combined with the actual situation in China, and the suggestions to improve the legal regulation of trademark registration in bad faith in China are put forward, which include the clarification of the determination standard of 'bad faith', Specific suggestions include clarifying the criteria for determining 'bad faith', strengthening the examination of the intention to use the trademark and increasing the punishment to improve the legal regulation system of bad faith trademark registration in China.

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