HELPDESK UPDATE

Issue 13 - Focus on Bad-Faith Trade Mark Registration in China

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BAD-FAITH TRADE MARK REGISTRATION IN CHINA

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HELPDESK NEWS

COMPLETED EVENTS round-up

The China IPR SME Helpdesk took part in a total of 19 events in February, March and April 2012. In Europe these took place in Sweden, Netherlands, UK, Belgium, Spain and Germany. China events took place in Beijing, Shanghai, Tianjin, Shenyang, Zhongshan and Guangzhou, in partnership with associations from UK, Latvia, Netherlands, Spain, Germany, Poland, Belgium, Luxembourg, Ireland, Finland, Italy and France. Event topics were diverse, including IP Protection in China for the Agri-Tech sector, Software and Copyright Protection, Technology Transfer to China, IP for the Creative Industries in China, Protecting Trade Secrets, How to Protect Online IPR, and Protecting IP during Trade Fairs in China, among others.

New Helpdesk GUIDES

The Helpdesk has launched 3 new IP guides in March and April:
- IPR Strategies for ‘Cleantech’ SMEs in China
- Guide to R&D in China for European SMEs
- Using Contracts to Protect IPR in China

These include practical information and useful tips for EU businesses in China. The Cleantech guide focuses on IP areas relevant to Cleantech SMEs, including building a valuable patent portfolio, dealing with partners, branding and licencing and sale of IP. The R&D guide looks at areas such as structuring the ownership of R&D entities in China, requirements for patent registration for inventions in China, remuneration for Chinese creator-employees, and confidentiality issues. The contracts guide covers key IP clauses to be included and avoided in China, employment contracts, and non-disclosure agreements. Download all our guides free of charge from our website here.

Listen to our WEBINARS

So far in 2012 the Helpdesk has held 3 new webinars. In February Helpdesk expert Fabio Giacopello provided practical tips and recommendations for how EU SMEs can use China Customs to prevent counterfeit products leaving China (29 Feb). In March, trade marks expert Huang Hui presented branding and trade mark strategies in China (29 March). In April, expert He Jing gave a webinar on how to protect IPR when conducting R&D in China (26 April).
130+ active EU SME participants joined us from across China and 15 EU Member States for these sessions. The recordings of all webinars and presentation slides can be downloaded [here](#). Look out for our upcoming webinars on ‘Using IP as a Business Asset’ (30 May 2012), and on ‘Online IPR Protection’ (19 June 2012)!

**New Helpdesk E-LEARNING MODULE**

The Helpdesk’s 6th E-learning module was launched in February. It follows a European SME through the process of establishing technology transfer to China and demonstrates common pitfalls and the key considerations to be made. Chapters include: The First Steps, The Right Partners, Structuring your Transfer, Contracts, and Checklists. Each chapter contains an interactive quiz to test the reader’s learning. [Take the E-learning module now on our website](#).

**UPCOMING EVENTS round-up**

- **Briefing at the Dutch Embassy:** Beijing, China, 3 May 2012.
- **Briefing for Scandinavian SMEs:** Beijing, China, 15 May 2012.
- **How to Enforce your Intellectual Property Rights in China:** Wuxi and Suzhou, China, 15-16 May 2012.
- **Crossing the Great Wall: Doing Business in Chinese Second-Tier Cities:** Dublin, Ireland, 17 May 2012.
- **Protecting your IP when conducting R&D in China:** Shanghai, China, 17 May 2012.
- **FinNode China Annual Conference 2012:** Helsinki and Oulu, Finland, 23-24 May 2012.
- **Business Opportunities in China: Protecting IPR when Conducting Technology Transfers to China:** Budapest, Hungary, 24 May 2012.
- **IP Breakfast Seminar with member companies of Confederation of Finnish Industries:** Helsinki, Finland, 25 May 2012.
- **Protecting IPR for Technology Transfer Road Show:** Krakow, Warsaw, Gdansk, Poland, 28 May-1 June 2012.
- **Using IP as a Business Asset in China:** Webinar, 30 May 2012.
- **Protecting Online IPR:** Webinar, 19 June 2012.
- **Protecting IPR in China for SMEs in Design:** London, UK, 21 June 2012.
- **Chinese Business Kung-Fu for Polish Companies:** Wroclaw, Poland, 26 June 2012.
- **IP Protection for the Creative Industries:** Shanghai, China, 5 July 2012.

(Click [here](#) to visit the ‘Events’ page on our website for more details).

**BAD-FAITH TRADE MARK REGISTRATIONS IN CHINA**

Because China is a first-to-file system, many SMEs are caught out because they fail to register their trade mark in China before considering the Chinese market, and then at the time they want to do business there, they find out that their trade mark has already been granted to a Chinese company. Very often the Chinese company in these cases registers the mark with the express intention of selling it back to the foreign company at an inflated price. These prior trade mark registrations are called ‘bad-faith registrations’, and are a significant problem that many European companies encounter in China. These ‘bad-faith’ registrations can limit the foreign company’s freedom to operate by restricting its ability to enter the China market or even to source goods from China.

**Trade mark trading: the ‘Trade Mark Supermarket’**

It is important to note that it is legal for the owner of a registered trade mark to sell it. In fact, in China there is an internet-based platform for selling trade marks, a so-called ‘trade mark supermarket’, which is affiliated to the China Technology Exchange and is approved by the State Council.

But what happens if a European company finds its trade mark on the ‘trade mark supermarket’ website in China? Selling
a trade mark is legal, but what about selling one that has originally been 'hijacked' from its owner? The Trade Mark Law of China outlines that if any of the trade marks on the mentioned website are found to be sold in violation of the law, action can be taken to have those trade marks cancelled. Obtaining evidence will provide grounds for invalidating those trade marks.

**How can you invalidate bad-faith trade marks?**

In China, trade marks (except 'well-known' trade marks) practically have no protection if they are not registered, and it is difficult to object to an already registered trade mark because it is a formal, legal process.

However, a very basic rule of the trade mark law in many countries is its use. A registered trade mark must be used after a certain ‘starting period’, otherwise it can be revoked (this period is 5 years in Germany, and 3 years in China). Use of a trade mark is defined as 'use on the goods, packages or containers, or on trading documents, in advertising, an exhibition or any other business activities'. Unless the trade mark owner can provide evidence of use, the trade mark registration can be invalidated.

In order to defend their rights, it will be necessary for European SMEs to collect evidence specific to each case and compile a dossier detailing the information gathered on each trade mark, including details of the European company's trade mark such as its current registration status, whether it is registered in China, the extent to which the trade mark is used in China (if it is used on goods or products manufactured or sold there), any information on the registration of the offending trade mark, etc. In all such cases where a specific trade mark right is obviously infringed (such as no use for 3 years) there is always the possibility that the 'bad-faith' argument can be raised.

**Take-Away Message**

It is important for European SMEs to be aware of bad-faith registrations, because cases of trade mark hijacking are on the increase. Currently, if a company succeeds in registering these trade marks to offer them for sale, they can make a lot of money; but on the other hand, if such registrations are invalidated they will lose nothing more than the cost of the trade mark. SMEs that encounter bad-faith registrations of their trade marks should seek the advice of a lawyer who will be able to assess each trade mark and the strength of the case for each. A request for revocation at the Trade Mark Office level must then be filed with the Trade Mark Review and Adjudication Board (TRAB). This procedure can also be handled by a registered trade mark agent.

More information on trade marks and bad faith registrations will be available in the upcoming Helpdesk guide on trade marks available in July [here](http://www.china-iprhelpdesk.eu).

**For more information on IPR in China please contact us:**

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Be the first to hear about upcoming China IPR SME Helpdesk webinars and events by following us on:

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Project implemented by: