European Commission

CHINA IP SME HELPDESK

Case Study: Bad faith trademark registration in Mainland China after attending trade fairs in Hong Kong

SME details

Location of headquarters: Europe

Industry: Designer and producer of perfume

Status in China: The SME briefly did business in Mainland China via a few online e-commerce platforms in 2019. To understand the Hong Kong market better, they attended a trade fair in Hong Kong in 2023.

✓ Case background

The value of the perfume market in Mainland China and Hong Kong has been continuously growing. For European perfume companies, attending cosmetics trade fairs in Mainland China or Hong Kong is an essential step in international branding strategy.

To explore the market and promote their brand, the SME attended Cosmoprof Asia in Hong Kong in November 2023. Cosmoprof Asia is the leading international trade fair for beauty products in Aisa, attracting thousands of international companies and visitors each year. During the fair, the SME gathered market information and decided to protect their trademark in the target market to facilitate market entry.

A few days after the trade fair, they applied for an international trademark via the Madrid system filing route and designated China as the country where protection was sought. Six months later they received a notice of office action from the World Intellectual Property Organisation (WIPO), informing the SME about a similar mark on similar goods having been registered by a Chinese company. The application had been filed just three days earlier than the SME's application. The goods covered by the Chinese trademark also included perfume related products. The Chinese registrant effectively pre-empted other companies from registering the same trademark, which is a typical behaviour of a trademark squatter, someone who registers others' brand names without the intention of actually using the mark.

Several Chinese IP agencies approached the SME and offered services proposing to file an invalidation action against the bad-faith registration and file a review of refusal (re-examination) action to allow the SME to pursue trademark protection in China.

Actions taken

To better understand how to pursue trademark rights in China under these circumstances, the SME approached the China IP SME Helpdesk.

Trademark rights in Mainland China are not automatically extended to Hong Kong. Since Hong Kong and Mainland China have different IP systems, protection in one jurisdiction will not apply in another. If the SME wishes to obtain trademark protection in Hong Kong, they should register the trademark there. International filing via the Madrid System does not yet extend to Hong Kong, and therefore the trademark application must be filed directly with the Hong Kong IP Department. After a preliminary check, the Helpdesk confirmed that there had not yet been any similar marks registered in Hong Kong. The Helpdesk IP Business Advisor urged the SME to apply for a trademark there as soon as possible.

Due to the close business relationship between Hong Kong and Mainland China, if one decides to enter the Hong Kong market, IP protection in both Hong Kong and Mainland China may be important, especially if one has future market entry plans also for Mainland China. Therefore, the SME should continue pursuing IP protection in Mainland China as well.

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The Helpdesk verified that the Chinese IP agencies that approached the SME were legitimate and confirmed that their recommended actions would be necessary if the SME wishes to have trademark rights in China. Since the trademark has already been registered in Mainland China by a third party, the SME will have to file an invalidation action to clear it. It will take 10-12 months to obtain the results of the invalidation action, and should the result be unfavourable, the SME would have to appeal in the Chinese court, which would take another 7-10 months. Alternatively, the SME could consider filing a non-use cancellation action after three years, if the trademark will not have been used during this period. Generally, the non-use cancellation action is cheaper than the invalidation, but if the Chinese company uses the mark during the 3-year period, this action would no longer be feasible.

The SME wondered whether it would be advisable to purchase the mark back from the Chinese company, to solve the problem in a quicker manner. The Helpdesk IP Business Advisor recommended filing an invalidation action first to use it as a leverage in the negotiations with the Chinese company. This strategy could potentially lead to a lower purchase price. Furthermore, considering that the Chinese company has copied other brands, it is possible that it has already been blacklisted by the China National Intellectual Property Administration (CNIPA), and the CNIPA would not allow the trademark transfer if purchased because of the bad faith involved. It is therefore necessary to consult IP experts to explore the feasibility of different actions. Alternatively, the SME could consider re-branding just for the China market, to avoid conflicts.

Outcome

Due to budgetary constraints and long processing times the SME decided against exploring the invalidation option and is considering re-branding for the Mainland China market. They have not yet filed any trademark applications in Hong Kong either because it would make sense to use the same branding in Hong Kong as in Mainland China.

Lessons Learnt

- Registering your trademark before entering international markets, including by attending trade fairs in other countries, will save you time and money that you would otherwise need to fight against bad-faith trademark registrations along the road.
- The IP systems in Mainland China and Hong Kong are different. If you have trademark rights in Mainland China, it does not mean that you have trademark rights in Hong Kong, and vice versa.
- Hong Kong and Mainland China are very closely connected in terms of business relationships. If you only decide to enter the Hong Kong market, it is still worth considering having your IP rights protected in Mainland China, to avoid the common IP risks such as bad-faith IP registrations which could block future market entry, and counterfeiting.
- To clear the bad-faith trademark registration, you may consider opposition, non-use cancellation or invalidation actions. A good IP lawyer can help you choose the most appropriate strategy. Before thinking about purchasing back the trademark, you should run a background search to see if the seller may have registered more trademarks in bad faith and may thus already be blacklisted by the CNIPA.

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