

China: Facebook Loses Chinese Registrations in Fight Against Squatter

By Joseph A.R. Gerber

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The China National Intellectual Property Administration (“CNIPA”) dealt two heavy blows to Facebook in February and March of this year. Not only did the CNIPA deny Facebook’s request to invalidate a prior registration for FACEBOOK by Dr. Su Kaiming, a medical doctor and trademark squatter who had filed for other third-party well-known marks, it also invalidated Facebook’s own registrations, marking the end of a 14-year battle.

In May 2006, Dr. Su filed an application for FACEBOOK covering computer software and web services in Class 42. Facebook filed its own Class 42 application for FACEBOOK in 2007, about the time that Facebook was entering the Chinese market, and opposed Dr. Su’s application. As Facebook did not own a prior Chinese registration or application for its mark, its grounds for challenging Dr. Su’s application were limited to fame and reputation and Dr. Su’s bad faith.

Facebook lost its opposition in the first instance, but appealed the unfavorable decision to the CNIPA (acting as appellate body). The law in force at the time gave Opposers the right to appeal, which is no longer the case under the 2014 amendments to the Chinese trademark law. Facebook won on appeal, the CNIPA holding that registration of FACEBOOK in the name of Dr. Su would cause an “unhealthy influence to society.” This would prove to be the only brief glimmer of hope for Facebook in a long road to disappointment.

Dissatisfied with the CNIPA decision, both Facebook and Dr. Su appealed Facebook's favorable opposition decision to the courts not once, but twice. In the first appeal, the Court overturned the decision in favor of Facebook, holding that Dr. Su's mark did not risk an "unhealthy influence to society." The second-instance Court affirmed after Facebook appealed again. Dr. Su's mark was finally allowed to register in 2014, eight years after being filed.

Facebook did not give up, however. In 2019, Facebook filed an invalidation action to try to de-register Dr. Su's mark. Facebook alleged largely the same grounds that formed the basis of its opposition, but its ability to assert reputation rights was likely hampered by the fact that its platform had been banned by the Chinese government since 2009. A new Trade Marks Law that went into effect in 2014 allowed Facebook to also allege that Dr. Su's mark would mislead the public as to the source of the Class 42 services. The CNIPA rejected Facebook's invalidation actions outright, declining to comment on the grounds that Facebook had previously asserted in its Opposition, and holding that registration of Dr. Su's mark would not violate the new Law's proscription against the registration of misleading marks.

In the meantime, Facebook had successfully secured its own registrations for its mark in China in both English and Chinese characters. Dr. Su then filed invalidation actions against Facebook's registrations in retaliation against Facebook's actions against his registration. Less than a month after Facebook lost its final challenge to Dr. Su's marks, its own registrations were invalidated by the CNIPA on a straightforward application of Chinese trademark law: Dr. Su was the first to register an identical mark for similar services.

Facebook's inability to successfully defend its trademark registrations against an obvious squatter demonstrates the deficiencies in the applicable Chinese trademark law and practice at the time with respect to deterrence and invalidation of bad faith filings. By any objective standard, Dr. Su's application for FACEBOOK was filed in bad faith. Indeed, he had previously filed applications for AMUL and WIPRO, marks belonging to multi-billion dollar Indian companies, the former a producer of dairy products, the latter an IT consulting company. As a medical doctor, he had no reasonable explanation for seeking registration of three famous marks in unrelated industries. Nevertheless, the CNIPA and the courts found no reason to call foul. In November 2019, a new Trade Marks Law took effect, with additional regulations issued a month later providing guidance to Examiners in identifying and rejecting bad faith filings. It remains to be seen if they help to reduce the number of such filings.

Nevertheless, the most effective way to fight squatters in China remains filing early to “get in line” before they do. China’s first-to-file system, which does not require applicants to prove use of their marks to secure registrations, allows applicants to assert its rights there even before entering the market. Defensive applications covering broad goods and services – at least one item in each Chinese subclass – are also a helpful tool to prevent squatters from successfully obtaining registrations for identical marks in other Nice classes.