



WANHUIDA PEKSUNG
万 慧 达 北 翔

Wanhuida Peksung IP Review

No. 26– July 2019 Issue

Yiyuan Office Building, Friendship Hotel,
Haidian District, Beijing, P.R. China 100873
T +86 10 6892 1000 F +86 10 6894 8030
www.wanhuida.com www.peksung.com

Beijing High Court Guidelines on Administrative Trademarks

Cases

The Beijing High Court publishes Guidelines for the hearing of administrative cases concerning trademark prosecution. The first one was published in January 2014, after the 2013 revision of the Trademark Law. It was a relatively brief document, with 30 articles.

On April 24th, 2019, the Beijing High Court published a new set of Guidelines. This time, the document is much more extensive, with 162 articles. The Guidelines were published one day after the recent revision of the law (23rd of April 2019), and obviously, they refer to the law before such revision.

The Guidelines are divided into two parts: procedural issues and substantive matters.

Below is a *non-exhaustive* list of the issues addressed in the Guidelines.

The procedural issues concern (1) the determination of "subject eligibility" (including, but not limited to, the scope of prior right holders, of interested parties, the effect of the assignment of a trademark, adding litigants), (2) the scope of examination (such as, the consequences of omitting grounds, the application of article 13 and 30, the consequences of adjudication beyond the scope, supplementing evidence, scope of examination of trademark refusal, of review of disapproving trademark

registration, of invalidation, of the simultaneous application of absolute grounds and relative grounds), (3) issues concerning the service of procedural acts (determination of address, electronic service, burden of proof of service), (4) the determination of the circumstances called "*non bis in idem*", (5) matters relating to the remaking of administrative acts, (6) other procedural matters (such as, issues concerning litigation costs, evidence concerning review of cancellation, preclusion of dual agent).

The substantive matters concern (7) the basic principles (article 4 of the law, principle of good faith, components of trademarks, trademark assignment not affecting the determination of relevant clauses, revocation or cancellation of registrant), (8) the application of article 10 of the law (absolute grounds), (9) the application of article 11 of the law (distinctiveness, unconventional trademarks, secondary meaning), (10) the application of article 12 of the law (3D trademarks, determination of a shape inherent to the nature of the goods, a shape dictated by the need to achieve technical effects, to give substantial value), (11) application of article 13 of the law (well-known trademarks, proof, protection scope, circumstances of article 13.3, recognition of well-known status, protection of registered well-known trademarks on goods of identical class), (12) application of article 15 of the law

(determination of "without authorization", determination and proof of "prior use", determination of other relations, exceptions), (13) application of article 16 of the law, about geographical indications (determination of "misdealing the public", confusion, well-known trademark protection, ordinary trademarks, erroneous determination of geographical scope), (14) application of article 19.4 of the law (trademark intermediaries), (15) application of articles 30 and 31 of the law (restrictions on extended trademark registration, similar trademarks, market surveys, similarity between Chinese and foreign trademarks, comparison of 3D trademarks, coexistence agreements, similar goods, determination of malice), (16) application of article 32 of the law (scope of prior rights, copyright related issues, name rights, corporate name rights, pre-emptive registration filed in bad faith, determination of "know or should have known", determination of "certain influence", determination of pure export behaviour), (17) application of article 44.1 of the law (determination of fraudulent means, other improper means, circumstances and exceptions) (18) application of article 45 of the law (determination of 5-year period, application beyond the 5-year period, bad faith registration), (19) application of article 49.2 of the law (determination of use, "illegal" use, user, using multiple trademarks on one commodity, use after the specified period, pure export).

It is, of course, impossible to analyse in detail all the topics addressed in the Guidelines. The following is therefore a rather arbitrary choice.

- Article 2.2 corresponds to the situation which is not rare: where the opposed trademark is relatively dissimilar and/or filed for relatively dissimilar types of goods, the opponent may want to cite both articles 30 and 13 (which requires the recognition of the well-known status, but may provide a wide scope of protection than article 30). If the CNIPA (TRAB) rejects the opposition, only on the basis of article 30, but does not even examine the possible impact of article 13, the Court may consider that this is an omission of review grounds. If the opponent complains that its rights have been violated, and if the court considers that such omission had a substantial impact on the opponent's rights, the court may support the opponent. The court admits that a trademark owner who opposes another trademark on the basis of article 30 (similar signs and goods) may lose the case, because the similarity is insufficient, but might win the case if, because of its reputation, there is a risk of association.
- Article 5.3 clarifies an issue about the possibility to bring an action against a ruling of the CNIPA (TRAB) when such ruling is, in fact, "remade" in accordance with an effective judgment of the Court. In such case, no "second" appeal is allowed.
- Article 7.1 concerns article 4 of the law (before the revision decided the day before). In the latest revision, the

act of filing, in bad faith, a trademark application without intention to use it, is a cause for refusal of the trademark application. The Guidelines, in a way, anticipate the revision, by giving several examples: "applying for registration of a large number of trademarks without justifiable reasons", filing trademarks identical with or similar to other trademarks, commercial names, or places, that have a certain reputation and are strongly distinctive, when the "circumstances are serious". This will help to attack those who do business of filing famous trademarks or names.

- Article 9.8 is about the distinctiveness of a three-dimensional trademark: the presence of words, graphics or other elements, on the three-dimensional figure, will not help to prove that the mark is distinctive. This is difficult to understand: if the word, graphic or other element is distinctive, how could it lose this distinctiveness because it is affixed on the shape of the product?
- Articles 11.2 to 11.4 concern the application of article 13.3 of the law, i.e., the protection of well-known registered trademarks against identical, similar or translated trademarks filed in respect of different goods. Nothing new here, and it is regrettable that the High Court did not seize this opportunity to address the situation where a trademark needs to defend against

the risk of association created by a "remotely" similar trademark filed for the same category of goods (this issue is addressed in article 2.2 above).

- Article 11.7 even seems to indicate however that if a prior trademark owner files an opposition or invalidation against a subsequent trademark, citing article 13.3, and the CNIPA (TRAB) rules in favour of the application by applying articles 30 or 31 of the law (identical or similar trademark on identical or similar goods), the defendant could NOT complain that the ruling was based on an erroneous application of the law.
- Article 11.8 clarifies the scope of protection of registered well-known trademarks against use on identical goods: even more than 5 years after the registration of a litigious trademark, the owner of a well-known trademark may apply for its invalidation.
- Article 15.1 is about the so called "extension" of trademark registration. It addresses the situation where a person, who already owns a registered trademark, later decides to file a new application for an identical or similar trademark, and finds that his new application is opposed by the owner of another trademark who had obtained its registration in the interval. The opposed applicant wishes to claim that his new application is nothing but an

"extension" of his prior registered trademark. The Guidelines consider that such reasoning is acceptable, provided however, that the first registered trademark has been continuously used and has acquired a certain reputation.

- Article 15.2 concerns the criteria of determination of the similarity between two trademarks, when articles 30 and 31 are applied. The following criteria should be taken into consideration: the degree of similarity between the trademarks and the goods, the distinctiveness and reputation of the cited trademark, the degree of attention of the relevant public and the subjective intention of the applicant of the litigious trademark. These principles were defined by the Supreme People's Court in its 2017 Interpretation of the Trademark law, about the determination of the likelihood of confusion, under article 13.2 (unregistered well-known trademark). It had been, orally, confirmed by the SPC that these criteria should be used also when applying article 30 of the law. The purpose is, indeed, to assess the likelihood of confusion between two trademarks, the degree of similarity being only one of the criteria. It would have been preferable if the court had taken the opportunity of these Guidelines to make it clear that the purpose of article 30 is likelihood of confusion, and not only the similarity.

- Article 15.3, about the determination of similarity in cases concerning review of trademark refusal, specifies that "the reputation of the litigious trademark may not be considered".
- Article 15.4, concerns the determination of similarity in cases concerning review of disapproving trademark registration and invalidation requests. Here, the solution is totally, and surprisingly different! The full text is reproduced below :

"... if the applicant of the litigious trademark has no bad faith, and due to specific historical reasons, the litigious trademark and the cited trademark have been coexisting for a long time so much so that an established market pattern has been formed, where a party concerned claims that the coexistence of the two trademarks will not cause confusion among the relevant public, these trademarks may be determined to be dissimilar.

Factors such as evidence provided by the applicant of the litigious trademark and the owner of the cited trademark and the subjective state of the registrant of the litigious trademark may be comprehensively considered to determine whether the litigious trademark is similar to the cited trademark."

This is basically what the Supreme People's Court had expressed under the

so called "inclusive development theory", in its two Interpretations of 2010 and 2011: the reputation of both trademarks – the cited and the opposed – were to be compared, and if the applicant or registrant of the litigious trademark was not in bad faith, and had acquired a critical position in the market, the two trademark would continue to coexist. Such theory had attracted negative reactions, as it was seen as a way to legalize infringement through extensive use. As indicated above, the Supreme People's Court had rectified the position in the Interpretation of 2017. This article 15.4 of the Guidelines, therefore, comes as a (bad) surprise. The mistake is (1) that the Court focuses on the trademarks similarity *in abstracto*, rather than on the likelihood of confusion, and (2) the Court deems that good faith has influence on the likelihood of confusion.

- Article 17.2 to 17.4 are about the determination of "other improper means", mentioned in article 44 of the law. This article relates to the invalidation of a trademark based on absolute grounds. These three articles give examples of what are "other improper means", but also examples of what are "specific circumstances of other improper means", and finally, what are "exceptions to specific circumstances to other improper means". In short, it means that it will be possible to request the invalidation of a trademark by showing that the trademark applicant has been filing many other litigious trademark (unless, such trademark(s) had been

filed a long time ago, with genuine intention to use them, and is/are effectively being used).

- Article 17.5 specifies, however, that article 44.1 (as mentioned above) should not be the systematic solution. If it is possible to request the invalidation of a trademark by using another article of the law, article 44.1 should not be cited.
- Article 18.4 provides nine criteria for the determination of "bad faith", as mentioned in article 45.1 of the law. The last two points are interesting: (1) the behaviour of the litigious trademark registrant after the registration may be taken into account. If he "unfairly exploits" the goodwill of the prior well-known trademark, this confirms the bad faith, and (2) the fact that the litigious trademark owner files applications for the registration of a large number of other trademarks with reputation and distinctiveness, is also an indicator of bad faith.
- Article 19.16 clarifies the position of the Beijing High Court as regard the effects of OEM use: if the trademark is affixed on goods that are exported, hence not circulated within the Chinese territory, and the registrant claims to maintain the registration of such trademark (article 49 of the law), this claim shall be supported. Two comments may be added here: (1) according to the SPC's interpretations, if all the goods are exported, this cannot build a certain influence in

China. Therefore, an OEM activity cannot support a reference to article 32 (prior use, having created a certain influence); (2) however, if the trademark is affixed by a third party without authorisation of the trademark registrant, the mere act of affixing the mark should be sufficient to constitute an act of infringement (article 57 of the law). It does not matter where the goods are sold, in China or abroad. It does not even matter whether the goods are still in the factory and have not been sold. And yet... the Supreme People's Court has decided, several times, that when the goods are exported, the trademark is not even used, and no infringement is committed.

Contributors: Dr. Hui HUANG & Mr. Paul RANJARD