

# Exploring Tough Issues Related to Trademark Use Determination

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Use is of great importance to trademark as a non-distinctive trademark would become distinctive and registrable through use; a registered trademark plays a role to indicate sources of goods or service only through the use thereof, with its reputation enhanced or itself established as a well-known mark; a registered trademark the use of which has ceased for three consecutive years would be cancelled. It is thus shown that the use of a trademark is the most important way to create, maintain or increase the value of a mark. However, in the current Chinese Trademark Law, there has not been set forth any provision on what the use of a mark is all about. In Article 3 of the Trademark Law as of 2002 are only numerated the ways a mark is used, including “the use of a trademark on goods, packages or containers of the goods, or in trade transaction documents, and the use of the trademark in advertisement, exhibition or any other business activities, without defining the use of a mark. As the trademark practice shows, how to determine the use of a mark has been an important, tough issue in the judicial practice. This writer argues that a trademark must be used in the market, and, as well, in respect of particular goods or service. This issue will be probed into in five aspects as follows.

## I. Does non-trademark proprietor's use of registered trademark constitute the trademark use?

There are two circumstances of a non-trademark proprietor's use of a registered trademark where he has the right, or does not have the right, to use the mark: having the right to use a registered trademark means a non-trademark proprietor's use of a registered trademark with authorisation from the trademark proprietor; having no right to use a registered trademark refers to a non-trademark proprietor's use of a registered trademark without his authorization. Generally speaking, a non-trademark proprietor's use of

another party's registered trademark with his or its authorization is deemed to be the use same as the trademark proprietor own use of the mark. If a trademark proprietor can prove that another party has used his registered trademark with his authorisation, he can defend himself against someone's claim that the use of said mark has been “ceased” made under Article 44 of the Trademark Law as of 2001. As for the use of a registered trademark without authorisation, since the trademark proprietor does not authorise one who does not have the right to use his registered trademark to use it, the latter's use of said registered trademark is generally not deemed to be the use thereof by the former. The trademark practice shows that where a requester files a request for cancellation of a registered trademark on the ground of “ceased use thereof for three consecutive years”, if the trademark proprietor denies the “non-use of the mark for three consecutive years” on the ground of a third party's use of his registered trademark without his authorisation, his defence is generally not tenable.

It should be noted that whether a trademark proprietor's subsequent confirmation of the fact of another party's use of his registered trademark without his authorisation would lead to the determination of another party's unauthorised use of said mark as legitimate use of it, and even as the trademark proprietor's own use of the mark. There are cases of the kind where after a trademark proprietor sues a defendant for infringing his exclusive right to use a registered trademark owing to the latter's use of his registered trademark without authorisation, a third party files a request for cancellation of said registered trademark on the ground of “non-use for three consecutive years”. The trademark proprietor, in the absence of the defendant's other act to use the registered trademark, concludes a mediation agreement with the alleged infringer in the infringement procedure, authorising

the latter to use his registered trademark, and subsequently confirming that the latter's former use of his registered trademark has been unauthorised, and citing the fact in the trademark cancellation proceedings. When an alleged infringer in a civil lawsuit poses his use of a registered trademark in suit against a third party's claim that "the use of said mark has been ceased for three consecutive years", is it possible to cancel said registered trademark on this ground?

This is a rather controversial issue in practice. It is argued in this article that the trademark proprietor's consequent confirmation of another party's unauthorised use of his registered trademark cannot deny the fact that the "use" of said mark has "ceased" mainly because the use of a trademark must be the trademark proprietor's intent to use it, i.e. he must have the intent to use himself or to authorise another person to use it. When the cancellation proceedings are initiated, there is no fact showing the actual use of said mark and the alleged infringer's use of it is not authorised by the trademark proprietor. That is to say, since the said act of use does not contain the trademark proprietor's intent to use it, the alleged infringer's act of use should not be deemed to be one as use of his registered trademark by the trademark proprietor. Although, after the initiation of the cancellation proceedings, the trademark proprietor has subsequently confirmed the fact that another party has used his registered trademark, this act of subsequent confirmation is only an act of use after the initiation of cancellation proceedings, and does change the fact that said registered trademark has not been actually used when the cancellation proceedings are initiated. Therefore, as long as the "use" of said registered trademark "has ceased for three consecutive years" at the initiation of the cancellation proceedings, the trademark proprietor's consequent confirmation of another party's unauthorised use of his registered trademark after the initiation of cancellation proceedings to deny the fact that the "use" of said registered trademark "has ceased for three consecutive years" will not make any difference. The Trademark Office may disregard the trademark proprietor's consequent confirmation, and cancel the registered trademark under the law.

## **II. Does advertisement that does not associate a registered trademark with particular goods or service constitute use of said trademark?**

A trademark may perform its function in market competition and boosts the development of the commodity market through use; hence, it should be used in the

commercial activities. The Regulations for the Implementation of the Trademark as of 2002 provide that a trademark proprietor's advertisement of his registered trademark constitutes the use of his registered trademark. However, it should be noted that not all advertisement of a registered trademark constitutes the use of the trademark in the sense of the Trademark Law. In other words, it is only the advertisement that enables consumers or the public at large to associate the registered trademark with particular goods or service that constitutes the use of said trademark in the sense of the Trademark Law. Otherwise, the use of a trademark should not be determined or established as such. That is to say, the use of a trademark should be one in respect of particular goods or service. The particular goods or service refers to goods or service in respect of which said trademark is registered for use.

The use of a trademark in respect of particular goods or service is meant for the consumers to associate a registered trademark with particular goods or service and to realise that said registered trademark is to distinguish the particular goods or service from all other goods or services. In advertisement, if publicity is made only of a registered trademark, not of the particular goods or service in respect of which it is used, it is not possible for the general consumers to associate said registered trademark with the particular goods or service only on the basis of the advertisement of the registered trademark, nor does said registered trademark perform the function to distinguish particular goods or service from other goods or service. The advertisement or publicity with no relation to particular goods or service does not constitute the use of a registered trademark. Conversely, so long as a registered trademark is used in connection with particular goods or service, it is deemed to be the use of the registered trademark. If the advertisement or publicity involves a registered trademark, but also the particular goods or service in respect of which the registered trademark is used, and possibly enables the consumers to clearly realise that said registered trademark is one used in respect of the particular goods or service, the use of the registered trademark is generally established.

As the judicial practice shows, some trademark registrants use their corporate registered marks on their publicity materials, handbags, stationery, bags, identification badges, or work clothes and ornaments, which is merely use of the corporate registered trademark. This use does not

associate said registered trademark with the designated goods or service, or it may be said that the publicity materials, handbags, stationery or bags with said registered trademark fixed are not actually used for the goods or service in respect of which said registered trademark is used, so it is normally not regarded as use of said registered trademark. In the case of dispute over the “GNC” registered trademark, the goods on which the “GNC” trademark in suit was used was a product of “nutritious fish oil not for medical use” in class 30. The trademark proprietor entrusted another party with making the publicity material with the “GNC” logo on and used it for honey product. The party raising the dispute filed a request for cancellation of the “GNC” trademark on the ground that “its use has ceased for three consecutive years”. The Trademark Review and Adjudication Board (TRAB) held that the trademark proprietors’ use of the “GNC” trademark on the publicity material had constituted legitimate use of the “GNC” trademark, and decided to keep the registration of the “G” trademark valid. The court of first instance held that whether the act of using a trademark in the sense of the Trademark Law was done should be comprehensively analyzed, and judged in line with the legitimate purpose; the trademark proprietor entrusted another party with printing publicity material with the “GNC” logo on may be deemed to be an advertisement of the “GNC” trademark; it may, therefore, be decided that the trademark proprietor had the true intent to use the “GNC” trademark and preformed the corresponding act, and the decision the TRAB made would be upheld. The court of second instance believed that although the trademark proprietor entrusted another party with making the publicity material with the “GNC” logo on, the publicity material with the “GNC” logo was not used for advertising the designated goods, i.e. the nutritious fish oil not for medical use, in respect of which the “GNC” trademark should have been used. Therefore, this does not constitute the use of said mark in the sense of the Trademark Law. The court of second instance consequently reversed the judgment of first instance, and cancelled the registration of the “GNC” trademark.<sup>1</sup> Of course, if the court of second instance had further explicated that the honey product in respect of which the “GNC” trademark was actually used and the goods of nutritious fish oil not for medical use in respect of which the “GNC” trademark was registered were not similar goods, the judgment would have been more convincing.

### III. Does advertisement with no particular goods or service provided constitute trademark use in the sense of the Trademark Law?

Does advertisement with a trademark used but no particular goods or service provided in the market constitute the trademark use in the sense of the Trademark Law? This is a rather controversial issue in the judicial practice. The current Chinese Trademark Law does not set forth express provisions in this regard. However, under Article 3 of the Regulations for the Implementation of the Trademark Law as of 2002, it seems that such use should be determined as that in the sense of the Trademark Law. It is argued in this article that use of a trademark in advertisement without providing in the market place particular goods or service bearing the trademark should not always be regarded as not constituting the use of trademark, nor always accepted as the trademark use. Rather, a reasonable period of time should be set in this respect. Where the registered trademark is used in advertisement, the act of using the registered trademark in advertisement only may be deemed to be an act of trademark use if consumers can get the particular goods or service bearing the trademark through normal channel in the market after the reasonable period of time. But if consumers cannot get the particular goods or service bearing the trademark through normal channel in the market after the reasonable period of time where the registered trademark is used in advertisement, the act of using the registered trademark in advertisement only should not be deemed to be the trademark use in the sense of the Trademark Law.

The practice of setting reasonable period of time would make the balanced protection of the interests of the trademark proprietors and those of the public at large possible. First of all, the primary function of a trademark is to indicate the origin or source of goods or service. If the goods or service bearing a trademark are not made available to consumers, the primary function of trademark would be greatly reduced. Of course, it is also unfair to the trademark proprietor to deny the use of a trademark merely on the ground that the particular goods or service bearing said trademark are not made available in the market. Business competition is ferocious in the present-day society. A trademark is a business’s top priority, and it is one of its marketing strategies in its efforts to promote its brand to an extent and to provide its goods or service to consumers. A reasonable period of time is set in order to urge a trademark proprietor to provide the goods or service bearing its

trademark after it promotes its brand to a certain extent, or the trademark is deemed not to have been used. This arrangement is made for the purpose to both protect the lawful rights and interests of the trademark proprietor and those of the public. Next, setting a reasonable period effectively hold back acts of trademark registration by such unfair means as preemptive registration. To date, preemptive registration of others' prior trademarks having a certain reputation or composed of special words, phrases, surnames having certain reputation as trademarks is a rather prevalent phenomenon. These preemptive registrants do not use trademarks they register. They preemptively registered trademarks, and store them up, and then sell them at high prices. To avoid the preemptively registered trademarks from being cancelled for non-use for three consecutive years, these preemptive registrants often use their preemptively registered trademarks in advertisement, rather than provide particular goods or service bearing these marks. The practice of setting the reasonable period of time will be a great constraint on those who do not intend to use their registered trademarks in business activities, but seek huge profits by speculation. This will effectively prevent acts of preemptive registration to a large extent. Then, setting a reasonable period of time will prevent a trademark proprietor from abuse of his registered trademark. Some trademark proprietor registers his trademark not for his own use, but to inhibit his competitor from using it. Except the defensive and associated trademarks, an act of trademark registration in order to inhibit one's competitor from using a particular trademark constitutes abuse of the trademark, and is harmful to the construction of a healthy and orderly socio-economic order. Setting a reasonable period of time will make sure that trademark registrants use their trademarks, and prohibits them from abuse of their exclusive right to use these trademarks.

How to set a reasonable period of time? This writer believes that it should effectively protect trademark proprietors' lawful rights and interests, and, as well, balance the protection of the public interest, including those of competitors and consumers, and promote the establishment and improvement of the socio-economic order. Now, such period is of three years because it is provided in the Trademark Law as of 2001 that a registered trademark that is not used for three consecutive years may be cancelled under law. If a trademark proprietor does not provide particular goods or service bearing a registered trademark

after he advertises the trademark, it may be established that said registered trademark is one not used for three consecutive years. By contrast, if a trademark proprietor provides particular goods or service within three years, then his advertisement of the trademark should be deemed to be the use of the trademark. In this way, the reasonable period of three year is brought in line with the relevant provision of Article 44 of the Trademark Law as of 2001.

#### IV. Do acts of licensing constitute trademark use?

A trademark proprietor actually does not use his registered trademark, but licenses it to another person. Then the licensee's use of said registered trademark constitutes use of said trademark, or should be deemed to be use of it by the trademark proprietor himself. However, if the licensee does not actually use his registered trademark, does the trademark proprietor's licensing *per se* constitutes use of said trademark? Views are divided in the judicial practice. For this writer, mere licensing does not constitute trademark use. The act for the trademark proprietor to license his registered trademark is one to license his trademark to a licensee. Once a trademark proprietor licenses or allows another person to use this registered trademark, contractual relations arises between the trademark proprietor and the licensee. Under these legal relations, the trademark proprietor is obliged only to license his registered trademark to said licensee, and entitled to charge and receive royalties under the contract and to supervise the licensee's proper use of his registered trademark. The licensee has the right to use the registered trademark under the contract, and is obliged to pay the corresponding royalties. This shows that an act of trademark licensing is to give the licensee the right to use a registered trademark, merely with some legal relations arising between the licensor and licensee. These relations are relative. Whether the licensee actually uses the registered trademark is whether he performs the trademark licensing contract. For that reason, licensing a registered trademark *per se* is merely an act done between the licensor and licensee, without the indicative function of the trademark performed in relation to consumers; hence the act of licensing a registered trademark *per se* is not an act of use of said trademark.

#### V. Does improper use of registered trademark constitute use of the trademark?

That a trademark proprietor should properly use his registered trademark mainly means use of said mark on goods or service in respect of which it is approved for

registration. Improper use of a registered trademark mainly refers to an act to use a trademark similar to a registered trademark and an act to use it within narrower or wider extent of use on the goods or service in respect of which the mark has been registered. It is possible for a trademark proprietor to be legally liable for making rectification within a specified time limit if he uses his registered trademark improperly. In a more serious situation, it is also possible for his registered trademark to be cancelled under the law.

First of all, a trademark proprietor does not use a trademark exactly identical with a registered trademark, but use a mark not identical with the registered trademark on goods or service in respect of which the registered trademark is approved to be used. Is such use deemed to be use of said registered trademark? Views are divided in the judicial practice. For this writer, if a trademark proprietor uses a trademark different from his registered trademark, whether the act should be determined as one of using said registered trademark depending on whether the registered trademark and the trademark used are similar or not. It should not be generally or indiscriminately determined as constituting or not constituting use of the registered trademark. If the trademarks are similar and the goods or service on which the trademark is used with those in respect of which the registered trademark is approved to be used, then the use of said similar trademark should be determined as use of a registered trademark; if the two trademarks are neither identical nor similar, the use should not be determined as use of the registered trademark. Of course, the trademark administrative authority has the power to order a trademark proprietor to make rectification if he uses his registered trademark improperly.

Next, should a trademark proprietor's use of his registered trademark on goods or service other than those in respect of which the registered trademark is approved to be used be deemed to be use of his registered trademark? Views are divided in the judicial practice. For this writer, even if the former goods or service is not the latter, as long as they are similar, his use may be extended to the similar goods or service and the registration of the trademark on these similar goods or service should be kept valid.

Then, is it possible to determine that the use of a registered trademark on non-identical or dissimilar goods or service or act of use of a similar trademark on similar goods or service is use of the registered trademark? For this writer, in principle, a registered trademark should be used on

goods or service in respect of which it is approved to be used. Acts of using a trademark identical with or similar to a registered trademark on non-identical or dissimilar goods or service or on similar goods or service, in nature, are all use of a non-registered trademark, and, by no means, use of a registered trademark. A trademark, in the meaning of a sign, be they identical or similar, should be distinguishable as different trademarks once they are associated with different goods or service.

Finally, regarding use on goods or service of reduced range of goods or services in respect of which it is approved to be used. By this is meant that a sign is registered in respect of a lot of goods or services, but it is used on part of them only. Then should such use be deemed to be use of the registered trademark on the other goods or service? Views are divided in the judicial practice. For this writer, A registered trademark is one registered in respect of particular goods or service, and trademarks registered on different goods or services are mutually independent. The trademark proprietor's use of one of them only shows that he uses his registered trademark on said goods or service approved; hence the registration of said trademark on said goods or service should be kept valid, and the trademark registered in respect other approved goods or service constitutes ceased use for three consecutive years, so it is likely to be cancelled under the law. However, it needs to be noted that if the goods or service in respect of which the registered trademark is not used are similar to those in respect of which the registered trademark is actually used, then the registration of the trademark on the similar goods or service may be kept valid. In the trademark-related legal practice, where the goods or service on which a registered trademark is used are those in respect of which said trademark is used, the effect of the use of the registered trademark may be extended to the goods or service in respect of which the trademark is used and the similar goods or service as is provided in the current Trademark Examination and Adjudication Standards that "where a trademark registrant or a licensee uses a registered trademark on one class of goods in respect of which the trademark is approved to be used, the registration of said trademark or goods on service similar to these goods or service may be kept valid." ■

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