

# Public, Genuine and Legitimate Use of Trademarks in the Meaning of Trademark Law

Interpretation of recent judicial precedents

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To encourage use and promote effective competition, the Trademark Laws of all nations require all trademark owners to practically, commercially use their registered trademarks in order to keep them valid. By the end of 2011, with the valid registered trademarks reaching 5.5 million, China has become the nation holding the largest number of trademarks. Against this backdrop, to what extent registered trademarks in China should meet the use requirement to remain valid has become an important issue drawing wide attention from both trademark owners and relevant interested

parties.

In the trademark prosecution practice in China, express and specific requirements have been set forth on use of registered trademarks, namely, registered trademarks must be used as trademarks; in the form as registered or in forms that do not changing their distinctive character; in respect of designated goods or services; by the trademark owner or by any party authorised thereby; in the jurisdiction in China; in the meaning of the Trademark Law<sup>1</sup>; and in confirmation with the requirement of “public, genuine, and legitimate” use.



How to understand “public, genuine, and legitimate” use in the meaning of the Trademark Law? Recently, in China, the courts have closed three landmark administrative cases involving cancellation of trademarks for non-use, and in the cases the “public, genuine, and legitimate” use has been further clarified.

### Public use in the meaning of the Trademark Law: case of review of cancellation of “红牛 HONGNIU and device” mark

The trademark in suit was the registered trademark (800816) consisting of the Chinese characters “红牛” (meaning “red bull”), their Chinese phonetic spelling “HONGNIU” and the “bullfight” figure (hereinafter referred to as the trademark in suit). The former owner of the trademark in suit was the Tianjin Patriot Foodstuff Industry Co., Ltd.; the filing date was 8 April 1994; it was registered on 21 December 1995, and was later renewed and will remain valid until 20 December 2015; it was approved to be used in respect of coffee drinks, tea, nutritious liquid for non-medical use; sugar, sugar-honey for use in food; puff food, bean products, starch for use in food, flour-grinding products, and flour. The trademark in suit has been assigned four times, and the current assignee of its registration is the Guangxi Tainiu Vitamin Drinks Co., Ltd. . On 20 August 2004, the Thailand T.C. Pharmaceutical Industries Co.,Ltd.(TC) filed a request with the Trademark Office for cancellation of its registration on the ground of its non-use for three years. The case went through the examination by the Chinese Trademark Office, review by the Chinese Trademark Review and Adjudication Board (TRAB), trial by the Beijing No.1 Intermediate People's Court and review by the Beijing Higher People's Court in the past six years. In respect of the evidence of use presented by the trademark owner Wei Tingjian, the case has been adequately treated under the Trademark Law and associated judicial interpretation. In the case, the Trademark Office decided that the trademark owner's evidence of use was valid, TRAB adjudicated to have partially maintained the Trademark Office's decision (that the evidence of use for the trademark in suit in respect of “coffee drinks, tea and nutritious liquid for non-medical use” valid, the part in respect of other goods invalid); but the Beijing No. 1 Intermediate People's Court cancelled the TRAB's adjudi-

cation, and the Beijing Higher People's Court finally upheld the Beijing No.1 Intermediate People's Court's decision in October 2010.

The issue of the case is “what public use in the meaning of the Trademark Law is”. The opinion was most divided in the dispute in the court hearing on evidence (3), (4) and (5) of all the evidence of



Registered trademark (800816)

use of the trademark in suit, in which evidence (3) was a contract concluded between the Yangguang Store and Dahua Store on buying and selling the “HONGNIU” brand series of foodstuff; evidence (4) an invoice for temporarily selling goods (service) produced by the local taxation bureau of the place where Yangguan Store was located; and evidence (5) invoice for selling goods produced by the Zhujiang Drinks Plant to the Guofang Corporation. As the evidence verified and provided by the TC and accepted by the court showed, in evidence (3), the owner of the Yangguang Store was the wife of Wei Tingjian's brother, and the owner of the Dahua Store was Wei Tingjian's wife. In other words, the two parties to the contract shown in evidence (3) were sisters-in-law, both being close relatives of Wei Tingjian. The party making out the invoice shown in evidence (4) was the owner of the Yangguang Store, and the recipient of the invoice was the Fengshan County Caidiexun Logistics Centre, the owner of the latter was Wei Tingjian's brother. In other words, the invoice was made out by Wei's sister-in-law for Wei's brother. That was, they were husband and wife, both being close relatives of Wei Tingjian. The party making out the invoice shown in evidence (5) was the Zhujiang Drinks Plant, and the recipient of the invoice was Guofang Corporation. Wei Tingjian had long worked for the Plant as its corporate planner, patent attorney and lawyer, and also been its shareholder and manager. In other words, the Zhujiang Drinks Plant making out the invoice, the invoice recipient Guofang Corporation and the trademark owner, Wei Tingjian, were all closely related to one another in interests.

Upon hearing the case, the Beijing Higher People's Court concluded that the time of use shown in the evidence indeed fell within the three years before TC's request was filed for cancellation of the trademark in suit, but the evidence presented by TC showing the close relations between the trademark owner, Yangguang Store, Dahua Store and Guofang Corporation demonstrated that the evidence of use

was all presented by businesses or small-scale individually-owned businesses closely related to the trademark owner, and could not prove public commercial use of the trademark in suit in the market.

The significance of the present case is the Beijing Higher People's Court's clarification, for the first time ever, of public use in the meaning of the Trademark Law. Public use is by no means a private or solely internal use; it must be a commercial use to the general public in the market place. As a final court to review administrative cases involving trademark right grant and affirmation, the Beijing Higher People's Court's final decision is of general significance in guiding review and trial of similar cases in the future and in enhancing trademark owners' and interested parties' correct understanding of the public use in the meaning of the Trademark Law.

It needs to be pointed out that on 18 October 2011, AIPPI clearly required, in the resolution, adopted in Hyderabad, India, on the Question Q218 "The requirement of genuine use of trademarks for maintaining protection", that "The use must be made in the course of trade, which excludes private use and purely internal use."<sup>2</sup> This shows that the decision made in the case is consistent with the universally accepted trademark practice, and fully in line with the spirit of the AIPPI's resolution.

### Genuine use in the meaning of the Trademark Law: case of reexamination of cancellation of “大桥 DAQIAO and device” trademark

The trademark in suit was the registered trademark (1240054) consisting of the Chinese characters “大桥” (meaning “large bridge”), its phonetic spelling “DAQIAO” and a device (trademark in suit); the trademark owner was the Huzhou City Nanxun Hengda Building Material Trading Company, Zhejiang Province; the filing date was 13 October 1997; it was registered on 21 January 1999, and its registration was later renewed to be valid until 20 January 2019. The mark was approved to be used in respect of plywood, veneer and three-ply board and non-metal building coating material. The trademark in suit was assigned to the current assignee, a natural person by the name Jin Lianqin. On 16 November 2006, the Hangzhou Paint Corporation requested the Trademark Office to cancel the trademark in suit for its

non-use for three years.

The case went through the examination by the Trademark Office, review by the TRAB, trial by the Beijing No.1 Intermediate People's Court, and review by the Beijing Higher People's Court. In the case, the Trademark Office decided that the trademark owner's evidence was valid; the TRAB upheld the Trademark Office's decision, but the Beijing No.1 Intermediate People's Court revoked the TRAB's adjudication; and the Beijing Higher People's Court finally affirmed the Beijing No.1 Intermediate People's Court's decision in June 2010.

The issue of the case is “what genuine use in the meaning of the Trademark Law is”. The Beijing No.1 Intermediate People's Court, the court of trial, concluded, upon hearing the case, that the trademark owner's evidence showed only a just-for-once sale, and not on the required scale. In the absence of other evidence from the trademark owner to support the use, it was impossible to determine that the one-time, just-for-once act of sale was a “use of the trademark genuinely and in good faith”. During the appeal, the Beijing Higher People's Court further pointed out that the trademark owner's sales of goods bearing the trademark in suit in the three years from 16 November 2003 to 15 November 2006 reached only RMB 1,800 yuan (about \$280). During the time, there was only one advertising on the Huzhou Daily, a newspaper that was not widely distributed; the advertising and sale of the goods bearing the trademark in suit both happened in the later part of the three-year period in which the trademark in suit was not put to use. According to the practical circumstances of the case, such use of said trademark in suit was a symbolic use to keep the registration valid as mentioned in Article 44 of the Trademark Law, not for the genuine business purposes. Therefore, such use was one contrary to Article 44 of the Trademark Law.

The significance of the cases lies in the Beijing Higher People's Court's clarification, for the first time ever, of the genuine use of the trademark in the meaning of the Trademark Law. That is, genuine use is not a symbolic use to keep the registration valid, but one for genuine business purposes. As abovementioned, China now holds the largest number of registered trademarks in the world. To promote effective competition in the market and save trademark registration resources, it is of positive significance to stress genuine use of registered trademarks.



Registered trademark  
(1240054)

In the case, the reasoning of the “genuine use” of the trademark in suit drew wide attention. In determining non-genuine use of the trademark in suit, the two courts found the use symbolic as the trademark owner’s evidence showed that the sales of the goods bearing the trademark in suit was too small and the advertising in too limited scope. The Chinese courts’ definition and standard of “genuine use” remind one of the well-known Minimax case involving “genuine use” of the Community trademark in EU<sup>3</sup>. In the case, OHIM and the European Court of Justice noted that while the evidence showed that the trademark in suit was used within a limited scope and sales invoice was directed to only one consumer, and the sales were very limited, the evidence was sufficient to prove that the goods bearing the trademark in suit were normally sold in the market, and the trademark in suit had indeed been put to genuine use. The ECJ also further pointed out that actual use of a mark should be determined by way of comprehensive evaluation and *ad hoc* analysis. Maintenance and market development of goods or service bearing a mark, the character of the goods or services, the characteristics of the market thereof, the scale and frequency of trademark use were all factors to be considered in determining genuine use of a trademark, and the sales volume was not the only standard for making the determination.

As the comparison between the Beijing Higher People’s Court’s final decision in the case and the EU precedent show, it is not difficult to see that the standard in China for determining “genuine use” of registered trademarks is more stringent, with higher requirement of use imposed on trademark owners to keep their registered trademarks valid. As the case is now pending before the Supreme People’s Court for review, it is highly expected how the Supreme People’s Court will construe and interpret “genuine use”.

## Legitimate use in the meaning of the Trademark Law: a case of review of cancellation of “卡斯特” mark

The trademark in suit was the registered trademark (1372099), which consisted of the Chinese characters “卡斯特” (pronounced as “ka si te”)(the trademark in suit). The trademark owner was a natural person by the name of Li Daozhi; its filing date was 7 September 1998; it was approved for registration on 7 March 2000 to be used in respect of goods, such as fruit wine (alcoholic), wine, and

alcoholic drinks (excluding beer). It was later renewed and would remain valid until 7 March 2020. In 2005, Cattel Freres, a French company, requested the Trademark Office to cancel said trademark for its non-use for three years.

The case went through the examination by the Trademark Office, review by the TRAB, trial by the Beijing No.1 Intermediate People’s Court, and review by the Beijing

卡斯特

Registered trademark  
(1372099)

Higher People’s Court. In the case, the Trademark Office decided to have cancelled the registration of the trademark in suit as the trademark owner failed to present evidence of use at the expiry of the time limit. The TRAB reviewed the decision, and upheld the trademark registration according to the evidence the trademark owner presented during the review period. Both the Beijing No.1 Intermediate People’s Court and Beijing Higher People’s Court affirmed the TRAB’s adjudication. In 2010, Cattel Freres petitioned the Supreme People’s Court to review the effective adjudication, and the Supreme People’s Court made, on 17 December 2011, the Administrative Judgment No. Zhixingzi 55/2010 to have rejected the review request.

The issue of the case is “what the legitimate use in the meaning of the Trademark Law is”. The reason for “legitimate use” to become an issue was that in the former case of review involving the Yunnan Dianhong Drug Industry Co., Ltd. (Dianhong) and Shantou City Kangwang Refine Chemical Engineering Industry Co., Ltd. and the Trademark Office of the State Administration for Industry and Commerce, the Supreme People’s Court once made it clear, in the Notification (No. Xingjianzi 184-1/2007) on Rejection of Review Request, that the use mentioned in Article 44 (4) of the Trademark Law should be public, genuine and legitimate use of trademarks in business activities, and pointed out that the law bases for determining the legitimacy of trademark use were not solely limited to the Trademark Law and its associated regulations. Accordingly, in the evidence from Dianhong about the trademark in suit, “KANGWANG”, used on skin-care lotion, there were no required license for production of cosmetic products and hygiene license provided for by the State, and it did not constitute legitimate use of the trademark. The Supreme People’s Court’s decision evoked tremendous echoes in, and had much impact on, the administrative and judicial trademark community.

In the case, Cattel Freres petitioned for review mainly on the grounds that the trademark owner did not obtain the Ex-

port & Import Label Examination Certificate for the imported wine bearing the trademark in suit, so its use of the trademark in suit was contrary to the Measures for the Administration of Domestic Market for Imported Wine & Liquor, and was not legitimate use of the mark in the business activities. Quite contrary to its position taken in the case of review involving the “KANGWANG” mark in suit, the Supreme People’s Court concluded, in the administrative judgment, that non-use of a registered trademark for a long time not only made it impossible for the mark to function and to be used as a trademark, but also inhibited others from registering and using it as such, thus affecting the sound operation of the trademark system. For this reason, Article 44 (4) of the Trademark Law provided that, for non-use of a registered trademark for three consecutive years, the Trademark Office should order to rectify the situation, or cancel the registration of the mark. It should be noted that the aim of this law provision is to activate the trademark resources and remove idle trademarks. Cancellation is only a means, not a purpose. Therefore, so long as a registered trademark is used publicly and genuinely in business activities and the use of the registered trademark *per se* is not contrary to the provisions of the Trademark Law, the registered trademark owner has performed their obligation to use the mark according to the law provisions. It is undue to find the registered trademark contrary to the provision. In the case, the matter of whether the trademark in suit violates any other import or marketing laws in other business activities is not regulated by Article 44 (4) of the Trademark Law.

Accordingly, the Supreme People’s Court has completely changed its position it took in the “KANGWANG” case and made limiting, but more practical, legislation observing interpretation of “legitimate use”. That is, “legitimate use” must be “legitimate use in the meaning of the Trademark Law”, so as to allow the “legitimate use” of trademarks to fall into the scope of assessment under the Trademark Law *per se*.

## Conclusion

The above three cases have given clear guidance on what the “public, genuine and legitimate” use in the meaning of the Trademark Law really is, and fully reflected the Chinese courts’ latest judicial spirit and standards on the three most important issues of law on trademark use. As the Supreme People’s Court pointed out in the “卡斯特” case,

the system for “cancellation of registered trademarks for non-use for three consecutive years” has been put in place in the Trademark Law, the Regulations for the Implementation of the Trademark Law and the relevant regulations to activate trademark resources and remove idle trademarks; cancellation is only a means, not a purpose.

Since such cancellation involves the issue of deprivation of the right a trademark owner has obtained and is possibly actively exercising, and has a direct bearing on a trademark owner’s and its interested parties’ trademark strategy and business developments, it may be expected that the Chinese trademark examination and review authorities and the courts at all levels will, in their examination and review and the judicial practice, work in the spirit of the above three precedents, and more prudently handle and make decision on the vitally important issues as to whether trademarks requested to be cancelled are publicly, genuinely and legitimately used in the prescribed period. ■

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<sup>1</sup> The Beijing Higher People’s Court pointed out, in the judgment rendered in the “KANGWANG” case, that the “use” mentioned in Article 44 (4) of the Trademark Law “refers to use in the meaning of the Trademark Law, namely, public, genuine, and legitimate use of a trademark in business activities to indicate the source of the goods bearing the mark, so that the relevant sector of the public can distinguish the different market players providing the goods. See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 78/2007.

<sup>2</sup> See <https://www.aippi.org/download/committees/218/RS218English.pdf>.

<sup>3</sup> See Judgment of 11 March 2003, Case C-40/01 – *Ansul BV v. Ajax Brandbeveiliging BV*.