Trademark Coexistence or Trademark Confusion?

—A Comparative Study from Perspectives of Europe and China

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This contribution aims to demonstrate different situations of trademark coexistence in Europe and China, and to offer a clearer insight into relationship between the concepts of likelihood of confusion and trademark coexistence from perspectives of Europe and China.

I. Introduction to trademark coexistence

Trademark coexistence describes a situation in which different companies use a similar or identical trademark to market a product or service without necessarily interfering with each other's businesses[1], including at least following three scenarios:

1) Companies, which operate under identical or similar trademarks in different markets (product or geographical markets), start to expand their range of goods and services or to move into new territories, without necessarily knowing each other's existence;

2) Two companies reach, as a good solution for providing significant benefits, a coexistence agreement to resolve conflicts (e.g. to overcome the Trademark Office's rejection to trademark registration or to settle trademark opposition or infringement litigation);

3) In the context of a commercial acquisition, a company is selling a subsidiary including the right to use a trademark. The seller intends to continue to use the trademark but for other products and the parties seek an agreement for businesses to operate under the same or similar brand.

From perspective of economics, coexistence agreements may have many positive effects.[2] Parties of a coexistence agreement may

- Secure continued existence of their trademarks in the respective markets;
- Prevent or settle expensive litigation; and
- Shape their own commercial destiny by avoiding the Trademark Law conflicts.

Correspondingly, the consumers may

- Continue to rely on the trademark they know, and experience low search efforts, because the existence of the previous trademark is secured; and
- Benefit from lower prices and increased quality of the products, because the parties of a coexistence agreement will act to maintain the positive economic effects of their coexisting trademarks.

Besides, as a complement to the existing trademark system, coexistence agreements may lead to effects of

- Reducing error costs caused by the limitation of a trademark system (e.g. the Chinese Subclass system as to be discussed later in this contribution) where a party obtains a result he should not have had or a party fails to obtain a result that he should have obtained; and
- Reducing opposition and invalidity cases brought before the Offices and Courts.

In Europe, trademark coexistence is not a new phenomenon. It has existed in practice for many years. All above-mentioned scenarios have been well-known in different EU Member States for a long time. The economic value of coexistence agreements has long been acknowledged by the Court of Justice of the European Union (CJEU), which has stated that: "such agreements are lawful and useful if they serve to delimit, in the mutual interest of the parties concerned, the spheres in which their respective trademarks may be used, and are intended to avoid confusion or conflict between them."[3] Article 4(5) of the EU Trademark Directive reads: The Member States may permit that in appropriate circumstances registration need not be refused or the trade mark need not be declared invalid where the propri-

etor of the earlier trade mark or other earlier right consents to the registration of the later trade mark." [4]

Compared to Europe, China has a relatively short history with trademark coexistence almost all in aforementioned scenario 2). In response to the survey conducted by the WIPO in 2009, China did not yet show a clear attitude towards acceptance of a coexistence agreement during the trademark registration proceedings. In fact, coexistence agreements were hardly accepted until 2008. The Chinese Trademark Review and Adjudication Board (TRAB) has only afterwards taken coexistence agreements into account increasingly in the trademark review proceedings after trademark applications were rejected by the Chinese Trademark Office (CTMO) on relative grounds. In the last ten years, the view of the Chinese TRAB and Courts on coexistence agreements has varied, ranging between the attitude of non-supporting to that of supporting under certain conditions, i. e. from the attitude of completely denying the coexistence agreements to using them as reference and recognizing them under certain condition.[5]

Although neither the Chinese Trademark Law (CTL) nor the Implementation Regulations thereof contains any provisions regarding trademark coexistence, relevant legal basis can be found in some important judgments of the Courts on allowability of the trademark coexistence, particularly in a recent ruling made by the Beijing High Court (BHC) and the Supreme People's Court (SPC), which reads: "when deciding whether or not to refuse a trademark application on the grounds of a prior trademark, a coexistence agreement issued by the holder of the prior trademark is an important factor to be taken into account. This is because granting consent is one of the ways the owner of the prior trademark disposes of its legal rights, which should be respected if it is not contrary to the interests of the country, society or third parties and because registration and use of the applied-for trademark have a more direct and practical impact on the interests of the prior trademark owner than on the interests of consumers generally." [6, 7]

II. Increasing demand of the coexistence agreements

In Europe, before establishing the EU trademark (EUTM) system, the majority of the national Trademark Offices within the EU examined the relative grounds to prevent the registration of conflicting rights. There was a gradual move towards the national Trade Mark Offices who leave it to the owners of earlier rights to take action to stop conflicting applications. This development, which has led to a quicker and cheaper registration process in a straightforward way, means that many overlapping rights on the trademark registers appeared as not all conflicting applications were opposed by the owners of earlier rights. With the introduction of the EUTM system in 1994, millions of national trademarks in different EU Member States now meet at a supranational registration system, which in turn increases coincidence of similar trademarks across borders. Therefore, it can be believed that the number of coexistence agreements has dramatically increased in the last three decades in order to settle numerous trademark conflicts that appeared in this period.

Since the establishment of the EUTM system, which does not examine relative grounds, a settlement agreement still remains to be one of the most important tools before or during opposition proceedings to solve a trademark conflict. The owners of the conflicting trademarks start in most cases negotiations to reach a settlement agreement long before the EUTM application is published in the Official Gazette. They can also negotiate during the cooling-off period or even after the commencement of the adversarial part of the opposition proceedings. It should be noted that the EUTM system encourages the friendly settlement of a dispute. It is even described in Article 43(4) of the Community Trade Mark Regulation (CTMR) that "the Office may, if it thinks fit, invite the parties to make a friendly settlement." The current high amount of the trademark coexistence agreements can be indirectly reflected in the statistics of the year 2016 of EUIPO[8], showing that the finally settled oppositions were 16,634 and about 30% of these (5,007) were settled by formal EUIPO decisions, whereas about 70% (11,731) were settled by agreements between parties.[9]

At the EU level, since coexistence agreements are in effect private contracts and exist outside trademark law, they remain private in their scope, unless the contract parties are involved in a dispute over their agreement. The number of trademark coexistence agreements is therefore unknown, and the small number of cases that come under legal scrutiny is by far not representative for the total number of agreements that exist in the EU. There is no system to keep track of the number of the widespread coexistence agreements or what terms they include in Europe. Obviously, this status cannot reflect the importance of the trademark

coexistence and may even give a wrong impression that the phenomenon of trademark coexistence plays an unimportant role in Europe. In fact, there is an actionless governance over the trademark coexistence agreements in the EU, which implies that the coexistence agreements are respected to a large extent. The challenge for the EU Office and Courts might be how to continuously respect such an agreement when a dispute occurs between the parties.

Considering the fact that China handled a huge number of trademark applications each year (e.g. 3,691,356 in 2016), remaining the world's largest for 15 consecutive years, China has the most crowded trademark register (cumulatively 14,509,000 valid trademark registrations as of the end of 2016) in the world.[10] Without doubt, coincidence of similar trademarks occur most likely in China. It is interesting to note that many multinational companies who enter the Chinese market will often meet a problem of the coincidence with their trademarks, and that most of the applicants who submitted a coexistence agreement for overcoming the rejections of the CTMO on relative grounds are foreign companies, between which coexistence with effect worldwide may have been agreed already.

In accordance with the variation of attitude of the TRAB and Courts towards coexistence agreements as mentioned above, only a small part of the submitted coexistence agreements could be accepted in the past, while in recent three years the coexistence agreements could be accepted more easily. Additionally, there is some move towards encouraging settlement during the trademark review and adjudication in spirit of Rule 8 of Rules for Trademark Review and Adjudication which states "During the review and adjudication, an interested party shall have the right to dispose of, according to law, his trademark right and the right relating to trademark review and adjudication. Provided that public interests and a third party's rights are taken into consideration, interested parties may reach an amicable settlement agreement in writing by themselves. In the case that the parties reach a settlement agreement, the TRAB may either close the case or make a decision."

Based on experiences of the authors, more and more coexistence agreements are submitted to the Chinese TRAB or Courts and a large part of them were accepted recently. Although the TRAB and the Courts could possibly keep track of the number of the submitted and allowed coexistence agreements or letters of consent, there are no relevant official statistics available in China at present.

III. Treatment of the coexistence agreements

As mentioned before, most of the coexistence agreements in Europe remain private and will therefore never be treated by the Offices or Courts in the EU, as long as the parties are not involved in a dispute over their agreement. However, once disputes arise in relation to the coexistence agreements (e.g. opposition proceedings, cancellation proceedings, trademark registrations to the contrary of what has been agreed, or the like), it will be a tough issue for the EUIPO or the EU Courts to treat the agreements.

At the European national level, the courts' practice in how to treat these agreements is not consistent, though national courts and tribunals have the competence to consider and evaluate the underlying agreements. Some courts in Europe seem to favor and respect any agreements existing between the parties. They find that a mutually beneficial agreement is more efficient for the parties, and therefore enforcement of such agreements is necessary, e.g.

1) The SKY case[11] was heard in France prior to the case coming before the EUIPO. In this dispute the opponent claimed that the applicant was infringing his trademark rights, and in response the applicant relied upon the existing agreement between the parties, which dated back 20 years. The French court did not view the existing agreement as merely a basis for settling litigations relating to the specifically mentioned trademarks when the dispute arose 20 years ago, but it perceived the agreement also to apply to future disputes between the parties. After carefully looking into the agreement, the French court perceived the agreement to be final and binding and ruled in favor of the applicant.

2) The *Apple Corps v. Apple Computers* case[12], which was ruled by the High Court of Justice in England in favor of Apple Computers, illustrates how two enterprises with the same or similar trademark tried to resolve their disputes through a trademark coexistence agreement, which provided that the two parties shall have their right to use their own trademarks on or in connection with different goods and services. When, however, Apple Computers launched its iTunes software and its music store, the question arose whether it has trespassed into the area exclusively reserved for Apple Corp and thus breached the agreement. The court looked at the issue from the point of view of the consumer and held that there had been no breach of the agree-

ment as the Apple Computers logo had been used in connection with the software and not with the music provided by the service. There was therefore, in essence, no deception or customer confusion or likelihood of confusion or deception as to the origin of the product, an essential objective of the trademark system.

At EU level, a limited number of cases relating to co-existence agreements have been brought to the General Court, which examines appeals against decisions of the Boards of Appeal of the EUIPO and decisions of which can be appealed to the CJEU with respect to the application of law. With its arguments that it is lacking the jurisdictional competences to interpret private agreements and that the party should first obtain a ruling from a national court on the interpretation of the agreement if the agreement is ambiguous, the EUIPO has in the past shown reluctance in looking into coexistence agreements. There was even no guarantee that the EUIPO will even accept it as factual evidence in a pending dispute.

This attitude of the EUIPO in the past can be seen in its two leading decisions on the OMEGA case[13] and the COMPAIR case[14]. In both these rulings, the EUIPO chose not to consider the underlying agreements although each of the involved parties referred to the agreement in their submissions. The two rulings without looking into the agreements between the parties at all are not logically understandable, considering the specific situation of breaching of the agreements. In the former case, since the applicant undertakes in accordance with the agreement not to "use, register or apply to register any trademark consisting of or containing the word OMEGA …", the EUTM application filed by the applicant was in conflict with that agreement. In the latter case, since the parties reached an agreement stipulating "the conditions under which the parties could use the trademark COMPAIR in Germany without any risk of confusion", the opponent could not argue for a likelihood of confusion between the affected trademarks without breaching the agreement.

Today, the EU Courts and Commission recognize the positive effects of such agreements, and the EUIPO's view on coexistence agreements has developed from a lot of scepticism to a more liberal approach. Evidence for such change of attitude can be found in the SKY case, which was heard in France first, as mentioned before. In this case, the Second Board of Appeal chose to look into the underlying agreement between the parties. As it concluded, since the agreement specifically included the names SKYROCK, SKYZIN and SKY CHANNEL, and not the word "SKY" alone, and since the opponent had therefore not undertaken not to oppose the registration, it is thereby "not necessary to consider whether the agreement is still valid (…)". Further, it stated that the use of the trademark SKY will not dilute or otherwise damage the distinctiveness of the opponents trademark SKYROCK or take advantage of it. On these grounds, the opposition was rejected in its entirety. This EUIPO's finding was however contradictory to what the French court found. The former interpreted the agreement as one settling litigations relating to the specifically mentioned trademarks, while the latter concluded that the agreement could be applied in a forward looking manner (i. e. in the case of resolving future disputes between the same parties involving other trademarks than those specifically mentioned in the agreement). This might indicate that if the agreement is not deemed unclear and ambiguous, the EUIPO will not follow the national decision.

In China, except for only a few cases of dispute between the parties of a coexistence agreement handled by the Courts, most cases involving the coexistence agreements are in administrative proceedings, i.e. where the applicants submit a coexistence agreement or letter of consent in the trademark review proceedings to overcome the CTMO's refusal of trademark registration on relative grounds. Since the TRAB and the Courts consider a coexistence agreement or letter of consent as an important factor in assessing (precluding) likelihood of confusion of the conflicting trademarks, they will, before examining substantive issues, check authenticity of the agreement. A coexistence agreement or letter of consent is considered admissible, only if it meets at least the following formal requirements:

1) It contains clear information of the parties, the numbers of the earlier and later trademarks; the scope of goods or services to which the consent is given; and the signature or seal of the owner of the earlier trademark.

2) If the owner of the earlier trademark is a foreign company (or individual person), the signed or sealed agreement shall be notarized by local notary office and legalized by the Chinese embassy or consulate. When it comes to a coexistence agreement, the legalization is required to be conducted in both jurisdictions of the two parties (or at least in the jurisdiction which the prior trademark holder belongs to according to the author's experience). The original documents shall be filed together with all the Chinese transla-

tions. If the owner of the earlier trademark is a Chinese company, it shall only be notarized.

If the coexistence agreement or letter of consent is not admissible due to some formal or substantial deficiency, the applicant in most cases will be invited to correct the deficiency within a period set by the TRAB or the Court.

When the TRAB refuses the coexistence agreement or letter of consent in the *ex parte* review procedure and upholds the refusal of registration of the trademark, the applicant may appeal the TRAB's decision to the Beijing IP Court. In that case, the TRAB will be the defendant in the administrative litigation. The second instance court hearing the administrative litigation case is the BHC, the decisions of which are final under China law system except for a possible review by the SPC in case that fundamental issues are related.

IV. Relationship between trademark coexistence and likelihood of confusion

1. Definition of likelihood of confusion

Similar definitions of the likelihood of confusion can be found in the decisions of the CJEU[15] and in the Standards for Trademark Examination, Review and Adjudication of China (CN Standards) (Part II, Chapters I and IV), where the former *reads as the risk* that the public might believe that the goods or services marketed under the trademarks in question come from the same undertaking or from economically linked undertakings. The concept of the likelihood of confusion is one of the most important concepts in trademark law, because the essential and fundamental function of a trademark is to guarantee the origin of the goods or services covered by the trademark. According to Article 8(1)(b) of the EUTMR or Articles 30, 31 and 57.2 of the CTL, a trademark will not be registered or the use of such a trademark will constitute infringement, if there exists a likelihood of confusion because of its identity with or similarity to an earlier trademark and the identity or similarity of the goods or services covered by the two trademarks.

Based on the above definition, the existence of a likelihood of confusion requires that both the goods and services covered by the later trademark are identical with or similar to those for which the earlier trademark was registered, and that the two trademarks are identical or similar. The two conditions are cumulative. If one of them is not satisfied, there cannot be a likelihood of confusion. These two conditions may result in a constellation diagram of four possible combinations, i.e. identity-identity, identity-similarity, similarity-identity and similarity-similarity. In the cut-edge case of the first combination, there is no likelihood of confusion to be assessed, because the trademarks as well as the relevant goods or services are identical to each other respectively. Under situation with each of the other three combinations, the similarity degree (in the second or third case) or degrees (in the fourth case) will determine whether or not a likelihood of confusion exists. Since the situation of these three cases is not a clear-cut situation, there exists certain ambiguous space. It is this space that trademark coexistence may be considered as evidence to prove the absence of likelihood of confusion.

Further, in accordance with Article 8(1)(b) of the EUTMR, the likelihood of confusion includes the likelihood of association, which means that the public makes a connection between the conflicting trademarks and assumes that the goods/services in question are from the same or economically linked undertakings. A similar definition can also be found in the CN Standards (Part II, Chapter IV).

As systematically mentioned in the EU Guidelines (Part C, Section 2, Chapter 7), or as reflected in the CN Standards (Part 2, Chapters 8 and 9) as well as in the important rulings of the Chinese Courts in the recent years, a likelihood of confusion must be appreciated globally (in case of EU) or comprehensively (in case of China) taking into account all the factors relevant to the circumstances of the case. In connection with trademark coexistence, the European and Chinese Offices and Courts examine normally the most salient and habitual factors as follows:

1) Similarity of the goods and services;

2) Relevant public and the level of attention;

3) Similarity of the signs taking into account their inherent distinctiveness and dominant elements;

4) Distinctiveness of the trademark(s) as a whole

5) Trademark coexistence

Among the above-listed factors 1) to 5), factors 2) and 3) are defined and can be evaluated very similarly, while factors 1), 4) and 5) are specified and have to be determined quite differently in European and Chinese practices. In order to better understand the relevant differences between the EU and China in determining the likelihood of confusion, it is necessary to have an insight into each of the factors 1), 4) and 5) from the perspectives of the EU and China as follows.

2. Similarity of the goods/services

On the EU side, according to the EU Guidelines (Part C, Section 2), the Nice Classification serves purely administrative purposes and does not in itself provide a basis for drawing conclusions as to the similarity of goods and services. Identity or similarity of the goods/services in question must be determined on an objective basis, that is, by taking into account all the factors such as nature, intended purpose, method of use, complementarity, in competition, distribution channels, relevant public, the usual origin of the goods/services. It should be noted that these eight factors are used in the EUIPO's database on the comparison of goods and services and that there might be specific cases where other more factors are relevant.

Moreover, assessing similarity of the goods/services should focus on identifying the relevant factors that specifically characterise the goods/services that are to be compared. The relevance of a particular factor depends on the respective goods/services to be compared. It is not necessary to list all possible factors. What does matter, however, is whether the connections between the relevant factors are sufficiently close to find similarity. Once the relevant factors have been identified, the relation between them and the weight attributed to them must be determined. The amount of coinciding factors found together with their importance/weight establishes the degree of similarity. Generally speaking, the higher the number of common factors the higher the degree of similarity. Examples of dissimilarity and similarity are given, respectively, as follows:

- Although window glass (Class 19) and glasses for spectacles (Class 9) have the same nature, they are not similar, since they do not coincide in other relevant factors, such as purpose, producers, distribution channels and relevant public.
- Pharmaceuticals and plasters (both in Class 5) have a different nature, but they share a similar purpose (the cure of diseases, disabilities or injuries). Furthermore, they have the same distribution channels and relevant public. Therefore, they are similar.

In practice, under the general principles mentioned above, the Similarity Tool (ETMDN) has been developed and used by the EUIPO for the comparison of goods and services. It helps the examiners to harmonise practice on the assessment of similarity of goods and services and to guarantee coherence of opposition decisions. Based on the comparison of specific pairs of goods and services, it can give five possible results of the search: identity, high degree of similarity, similarity, low degree of similarity and dissimilarity. For each of the degrees of similarity, the tool indicates which Standards lead to each result. The Similarity Tool is constantly updated and if necessary revised in order to create a comprehensive and reliable source of reference. Although no mathematical analysis for the assessment is currently possible, it can be expected that this tool delivers more reliable results with increasing capacity of the EUIPO's database in future.

On the Chinese side, identity or similarity of the goods/services should be assessed by referring to International Classification of Goods and Services for the Purposes of the Registration of Trademarks, and Official Classification of Similar Goods and Services, where the latter guidelines are printed in form of a 248-page book (2017 edition) describing the Chinese specific Subclass system, which is a handbook used by all Chinese examiners and attorneys in their daily work. According to this system, goods and services in each International Class are further divided into so-called Subclasses, each of which contains a list of "standard items" of goods and services. Under the guidance of this handbook, with very limited cross-class searching, the Chinese trademark examiners will consider the goods/services either identical/similar if they are located in the same Subclass, or dissimilar if they are in different Subclasses. This may lead to two potential problems. That is, on the one hand, two identical or closely similar trademarks covering different Subclasses may be allowed by the CTMO to coexist in the same International Class even when these trademarks are owned by different proprietors. It is an issue often encountered in China that a third party has registered the same or similar trademark in a Subclass within the same international Class of goods or services, which may be a headache for a foreign company as owner of an earlier trademark. On the other hand, a trademark similar to an earlier one in the same Subclass will be refused by an examiner on relative grounds even if the goods/services of the two trademarks are dissimilar by taking into account the factors in relation to the similarity of the goods/services. Under such a situation, in recent years, more and more applicants make use of a letter of consent signed by the owner of the earlier trademark to overcome the CTMO's rejection to the trademark applied for. Based on the experiences of the authors, many European parties, as owners of the conflicting trademarks can easily and smoothly reach a coexistence

agreement under such a situation. This is because they know well that the CTMO's rejection to the trademark is due to the specific Chinese Subclass system and that the coexistence of their trademarks covering the dissimilar goods/services *per se* will in fact not cause likelihood of confusion on the Chinese market.

In addition to indicating the way of assessing the similarity of the goods/services by referring to the Subclass system, the CN Standards (Part II, Chapter 8) mentions that similar goods are those sharing the same or substantially the same function, purpose of use, raw materials, manufacturing site, distribution channel and consumer, and that similar services are those sharing the same or substantially the same purpose, content, manner and consumer of service. This should mean that similarity of the goods/services must also be assessed by taking into account the mentioned different factors, which is obviously a similar way as that adopted by the EUIPO and EU Courts. It is very interesting to note that, although the examiners of the CTMO and TRAB still only rely on the Subclass system in their daily work, the Chinese Courts consider in recent years more often the different factors to assess the similarity of goods and services on a case-by-case basis. In fact, many Chinese judges have emphasized that there are always exceptional circumstances in assessing similarity of goods and services. The goods/services in the same group, or in different groups under the same Class, or in different groups under different Classes may all be similar.

Although the Chinese Subclass system improves efficiency of the examination and adjudication to a very large extent, its disadvantage is obvious, in particular, with the two problems as mentioned above. Using the coexistence agreements or letters of consent as evidence to prove the absence of likelihood of confusion may be considered as a complement to the Subclass system, which should be meaningful for improvement of the current Chinese trademark system.

3. Distinctiveness of the trademarks as a whole

The EU Guidelines (Part C, Section 2, Chapter 4) and CN Standard (Part I, Chapter 2) both give a general definition to distinctiveness, which can commonly be understood as the capacity of a trademark to identify the goods or services for which it has been registered as coming from a particular origin, and thus to distinguish these goods or services from those of other origins. In general, distinctiveness of a trademark consists of inherent distinctiveness, and enhanced distinctiveness (as called in EU) or reputation (as called in China) which the trademark obtained from the market. A trademark with a highly distinctive character enjoys broader protection, and may be confused with other trademarks than a less distinctive trademark. Therefore, the distinctiveness of a trademark as a whole must be taken into account when determining if the similarity between the goods/services covered by the conflicting trademarks is sufficient to give rise to the likelihood of confusion.

However, there is a limitation in the Chinese trademark practice. That is, the CTMO examines only the signs, i.e. the inherent distinctive characters, of the conflicting trademarks, without considering the enhanced distinctiveness, when examining the similarity between the trademarks. Only in the proceedings of the reexamination or opposition, the TRAB and the Courts will examine the distinctiveness of the trademarks as a whole, including the enhanced distinctiveness of the trademarks based on the evidence submitted later by the applicant or the opponent. Based on the experiences of the authors, many relevant decisions of the CTMO with the above-mentioned limitation have been overturned by the TRAB and Courts in recent years.

As can be seen from the EU Guidelines as well as many decisions made by the important Chinese Courts[16], both the EUIPO and Courts, and the Chinese Courts apply similar approaches to determine the distinctiveness of a trademark as a whole with two steps, which can be roughly summarised as follows.

The first step is to examine the inherent distinctiveness of the various components (or the only component) of the trademark. The outcome of this examination should be one of the following:

- The trademark has less than normal distinctiveness because, as a whole, the characteristics of identical or similar goods or services are obviously allusive or laudatory.
- The trademark has normal distinctiveness because, as a whole, it is not descriptive, obviously allusive or laudatory in relation to identical or similar goods or services.

The second step is to check whether the trademark has acquired enhanced distinctiveness or reputation as a consequence of its use. Any higher degree of distinctiveness acquired by the trademark has to be proven by submitting appropriate evidence, where many factors should be taken into account (e.g. the market share of the relevant products, long-standing use of the trademark, the amount invested by the trademark owner, the proportion of the rele-

vant section of the public which identifies the product origin, and statements from chambers of commerce and industry or other trade and professional associations). The outcome of the second step will be one of the following:

- Where there is no evidence of enhanced distinctiveness as regards the relevant goods and services or the evidence is insufficient, the level of distinctiveness of the trademark will be its inherent distinctiveness.
- Otherwise, in case that the trademark has less than normal or normal inherent distinctiveness, the trademark may have acquired a normal or even a high degree of distinctiveness.

Although both sides of the EU and China use the similar approaches as summarized above, it has to be mentioned that a large difference exists between them. Namely, in the EU, only the distinctiveness of the earlier trademark as a whole is examined within the framework of the opposition proceedings, because the EUIPO and EU Courts consider that the scope of protection of the later trademark is irrelevant for judging likelihood of confusion. In contrast, the Chinese Courts consider not only the distinctiveness of the earlier trademark as a whole but also that of the later trademarks as a whole. Such consideration of the Chinese Courts are based on their experiences in the latest years which have been summarized as "In respect of a contested trademark that has been in use for a long time, and has established high reputation in the market in their own relevant sector of the public, the legislative spirit of the Trademark Law for keeping balance between protection of the right and interest of the earlier trademark, and maintenance of the order of the existing market should be correctly understood, by fully respecting the market reality that the relevant public can identify the trademarks and by paying more attention to protecting the market order which has been formed and has become stable."[17] As mentioned later, in a series of their recent rulings, the BHC and the SPC applied this way of thinking, which seems to show their respect for the coexistence fact of the conflicting trademarks.

4. Trademark coexistence

As mentioned earlier, a large number of trademark coexistence agreements exist in the EU, and a limited number of the coexistence-related cases are the opposition cases, where it is most commonly argued by the applicant, in order to prove the absence of the likelihood of confusion, that the conflicting trademarks coexist on a national level or that the coexistence is tolerated by the opponent. Under the situation that the owners of the conflicting trademarks are two parties in a dispute, the Office and Courts always treat the indicative value of coexistence with caution and require, correspondingly, the applicant to meet the following very stringent conditions:[18]

- The coexisting trademarks are identical to those involved in the opposition before the Office.
- The coexistence concerns the countries relevant in the case (e.g. alleged coexistence in Denmark is irrelevant when the opposition is based on a Spanish trade mark; If the earlier trademark is a EUTM, the EUTM applicant must show coexistence in the entire EU).
- Only the coexistence in the marketplace can be taken into account. The mere fact that both trademarks exist in the national register is insufficient. The applicant has to prove that the trademarks were actually used.
- The period of coexistence must be taken into consideration.
- The absence of a likelihood of confusion may be only inferred from the 'peaceful' nature of the coexistence of the trademarks at issue on the market concerned. This is not the case when the conflict has been an issue before the national courts or administrative bodies.
- The peaceful coexistence of the trademarks in the relevant national market does not outweigh the likelihood of confusion under certain circumstances where coexistence is only due to economic or strategic reasons.

Due to the above very stringent conditions, it is currently still very difficult for a EUTM applicant to convince the Office or Courts, as shown in the recent court cases in part VI of this contribution.

In China, trademark coexistence agreements are mostly used in administrative proceedings, i.e. they are submitted by the applicants in the trademark review proceedings to overcome the CTMO's refusal of trademark registration on relative grounds. Although the TRAB and Courts recognize more and more coexistence agreements since in recent years, the prerequisite for their recognition remains the same, i.e. the absence of the likelihood of confusion to the relevant public.

In the practice of trademark registration examination, the Chinese Courts emphasize that autonomy and right of disposal of a right holder should be respected and that a coexistence agreement should not be refused by simply asserting that it is detrimental to public interests or to interest of the consumers. The TRAB and Courts reexamine the ap-

plied-for trademark using different approaches rather than that used by the CTMO, particularly, in examining factors 1) and 4), as mentioned above. They will consider, not only the coexistence agreement but also the arguments and evidence newly submitted by the applicant. In many recent relevant rulings, the Courts often corrected the CTMO's determination of the similarity degree of the goods/services or that of the trademarks, and thus overturned the CTMO's refusals. It is interesting to note that the approach adopted by the Chinese Courts for assessing the likelihood of confusion is quite similar to those given in EU Guidelines in many aspects, as can be seen in the typical cases handled by the BHC which are to be introduced below.

V. Comparative study on the typical cases handled by the BHC

In order to well understand the current practice of the BHC in assessing likelihood of confusion in connection with a coexistence agreement, we will introduce a series of the typical cases ruled by the BHC in the recent years. Due to the facts that the EU Guidelines provide detailed guidance on how to systematically assess the likelihood of confusion and that there are no such guidelines in China currently, our comparative study will be conducted by referring to the relevant well-established EU case-law.

1) "NTT" case[19]

The BHC held that the signs "NTT" contained in the earlier trademark "NTT Communications" and later trademark "NTT DATA" in the dominant positions constitute major distinctive components of the trademarks, and thus easily cause confusion to the relevant public as to the origin of the similar services. However, although the two trademarks are similar and used on the identical and similar services in Class 35, the BHC allowed their coexistence on the grounds that the owner of the earlier trademark is the applicant's holding company, which issued a coexistence agreement to support the registration of the later trademark, and that there will be no likelihood of confusion for the relevant public due to the fact that the two trademark owners are legitimately associated.

Two peculiarities of this case have to be mentioned here. First, the approach used by the BHC to assess the similarity of the trademark signs is similar to that given in the EU Guidelines (Part C, Section 2, Chapter 2), where the major distinctive part, which is "NTT" in this case, and its dominant position are emphasized by the Court. Secondly, after considering the letter of consent and the evidence proving there is a special relation between the owners of the trademarks, the BHC precluded the problem of likelihood of association, as defined in 8(1)(b) of the EUTMR, to the relevant public, because of the legally existing association between the trademark owners.

2) "HALEX" case[20]

The BHC did not accept the letter of consent on the grounds that the conflicting trademarks "Haldex" and "HALEX" are similar trademarks on the similar goods.

Obviously, the BHC applied a very stringent standard for allowing trademark coexistence to this case. It held the two trademarks similar even without mentioning the one-letter difference between them. It is interesting to note that the TRAB and the Courts all considered the relevant goods are similar but on different basis. The TRAB did not give a clear reason for its determination of similarity of the goods. The first instance court considered that the goods belong to the same subgroup No. 0913 in Class 9 according to the Subclass system. The BHC held that the goods are similar due to the strong links between the functions, uses, production sectors, distribution channels and consumers of the relevant goods. Obviously, the method used by the BJH to assess similarity of the goods is similar to that given in the EU Guidelines.

3) "UGG" case[21]

Although the applied-for trademark "UGG" and the cited trademark "UCG" have similar signs and are to be used on the similar services in Class 35, the BHC held that the consumers could globally differentiate the middle letters "G" and "C" of the trademarks and that the coexistent registrations of the two trademarks are allowable, as long as no evidence was available showing the presence of likelihood of confusion.

In addition to the letter of consent submitted by the applicant, the BHC considered other relevant factors to make its decision, i.e. the enhanced distinctiveness of the applied-for trademark and the difference between the services designated by the two trademark owners. Such a consideration of the BHC is easily understandable within the scope of the EU Guidelines (Part C, Section 2): Although the sign of the applied-for trademark is of low inherent distinctiveness due to its similar visual effect compared to that of the cited trademark, the distinctiveness of the applied-for trademark as a whole could be enhanced through its reputation obtained in

the market, so that the relevant public can differentiate the middle letters of the two trademarks. Secondly, the difference of the services designated by the two trademarks results in reduction of similarity between the services. Correspondingly, the degree of the similarity between the trademarks and that between the relevant services were both reduced, so that the likelihood of confusion could be diminished.

In terms of evolution of the Chinese judicial practice with trademark coexistence, the present case is a milestone symbolizing the variation of attitude of the BHC from refusal towards recognition with certain conditions.

4) "PMI" case[22]

The BHC allowed coexistence of the applied - for trademark " " and the two cited trademarks " " and " " in terms of the similar services in Class 35 on the grounds that the signs of the conflicting trademarks are not identical and that the letter of consent could support the applicant's argument that the coexistence of the trademarks will not cause confusion to the relevant public.

After ruling the "UGG" case, the BHC applied a less stringent standard for accepting trademark coexistence. This change was reflected in this case, where the BHC emphasized the minor difference existing between the trademark signs, on the one hand, and accepted the letter of consent as evidence proving the absence of a likelihood of confusion to the relevant public, on the other hand.

5) "AXYS" case[23]

The BHC accepted the letter of consent to coexistence of the trademarks " AXYS " and " AXIS COMMUNICATIONS " on similar goods in Class 9 on the grounds that there were certain differences between the two trademarks in overall visual effect and that the letter of consent reflected the free disposal of property right and the true will of the owner of the earlier trademark. The coexistence should be supported as long as no counter-evidence shows that interests of the relevant public are prejudiced by the coexistence.

Similar to the "PMI" case as mentioned above, this is a further case reflecting the change that the standard for accepting trademark coexistence has been relaxed since the BHC's ruling of the "UGG" case.

6) "RAGE" case[24]

The BHC considered in this case that a coexistence agreement itself cannot diminish likelihood of confusion and it should be taken into account together with the other factors for assessing the likelihood of confusion, i.e. degree of similarity between the trademark signs, and degree of similarity between the relevant goods and the relationship thereof. In case of high degrees of similarities between the signs of the applied-for trademark " RAGE " and the cited word trademark "RAGE" and between the relevant goods, it is reasonable to believe that using the two trademarks on the goods of computer software and computer game software will likely cause confusion to the relevant public. Therefore, the two trademarks are similar trademarks used on the similar goods.

In this case, despite the coexistence agreement reached between the two trademark owners, the BHC did not allow registration of the trademark applied for due to the clear assessment outcome of the likelihood of confusion. This behavior of the BHC can find a resonance in the EU Guidelines (Part C, Section 2, Chapter 6), which state: "As regards coexistence agreements between the parties, when assessing likelihood of confusion the Office's policy is that these agreements may be taken into account like any other relevant factor, but they are in no way binding for the Office. This is particularly true when the application of the relevant provisions of the EUTMR and the established case-law lead to a conclusion that is not in accordance with the content of the agreement." Although dispose of property rights should be respected, a coexistence agreement should not be a passkey for obtaining registration of a trademark considering current situation of the Chinese trademark protection.

Two key points can be concluded from the above BHC's rulings:

- The BHC needed two steps for accepting a coexistence agreement. First, it reexamined the similarity between the goods/services while taking into account different factors relying on the arguments and evidence submitted by the applicant and using an approach rather than referring to the Subclass system. Secondly, it emphasized that the applied - for trademark obtained an enhanced distinctiveness from the market or, if no enhanced distinctiveness available, that there is some difference, even minor difference, between the signs of the trademarks.
- A minor difference between the highly similar trademarks may be decisive for a conclusion of likelihood of confusion. In order to ensure that the Chinese TRAB and Courts assess likelihood of confusion in connection with coexistence agreements with consistency and certainty, it is

highly recommended to establish a corresponding standard in China.

VI. Court cases in recent years

With a view to the following newly ruled cases, an insight into the latest developments in handling the coexistence-related disputes in EU and China can be obtained.

In Europe

Case "ASOS" ruled by the General Court[25]

In opposition proceedings at the EUIPO, it is most commonly argued by the EUTM applicant that the conflicting trademarks coexist on a national level and that the coexistence has been tolerated by the opponent. Under this situation, the owners of the conflicting trademarks are two parties in a dispute, and thus the coexistence argument has to be treated by the Office and Courts with caution. Theoretically, the impact of coexistence on the finding of likelihood of confusion can be accepted, but the conditions for the coexistence to be persuasive of the absence of a risk of confusion are, in practice, very difficult to establish and seldom prevail.[26]

As one of the limited number of the cases relating to trademark coexistence which have been subject to the EU Courts, this case shows how difficult (if not impossible) it is to produce evidence of peaceful coexistence of two trademarks in the opposition procedures.

In this case, the two parties of the opposition are ASOS (the UK online fashion and beauty products retailer) and ASSOS (the Swiss company specialising in clothing and equipment for cycling), where the former applied for the registration of a EUTM for "ASOS" in Classes 3, 18, 25 and 35 and the latter (through Roger Maier, ASSOS' CEO) opposed the trademark "ASOS" relying on the earlier EUTM of "ASSOS" in Classes 3, 12 and 25.

After the Opposition Division of EUIPO upheld the opposition in part, finding a likelihood of confusion in relation to all goods and services in Classes 3, 25 and 35 and several goods in Class 18, ASOS appealed. The Board of Appeal confirmed that all of the goods in Classes 3, 25 and 35 covered by ASOS' application were identical to those protected by ASSOS' EUTM and that there was a likelihood of confusion. Conversely, the Board of Appeal held that "bumbags; sports bags; casual bags; briefcases; attaché cases; satchels; beauty cases; credit card cases and holders; wallets; purses" in Class 18 were not similar to "clothing, footwear, headgear" in Class 25 protected by ASSOS, and thus annulled the finding of a likelihood of confusion by the Opposition Division in respect of those goods.

Further, ASOS appealed to the General Court for an annulment of the Board of Appeal's decision. The EUIPO required the Court to dismiss the appeal, while ASSOS asked the Court to dismiss ASOS' appeal and to reverse the finding of no likelihood of confusion in relation to the Class 18 goods above. The Court dismissed all applications for annulment and disappointed both ASOS and ASSOS.

ASOS claimed to the evidence of peaceful co-existence between the two trademarks in 18 Member States of the EU and argued that the Board of Appeal erred in disregarding such evidence in its assessment.

The Court rejected the evidence due to following reasons:

1) It was emanated from ASOS itself and was not supported by independent sources.

2) It related only to the use of the trademark applied for and not the manner in which the public was exposed to the trademarks on the market.

3) It was in respect of only 18 countries and not the whole of the EU and co-existence in only part of the EU does not exclude a likelihood of confusion in the EU as a whole.

The approach of the General Court confirms that a party's ability to produce evidence of peaceful coexistence is closer to a chimera than a real possibility, except for special situation of so-called honest concurrent use, as the CJEU ruled that two identical trademarks designating identical goods can coexist on the market to the extent that there has been a long period (five successive years) of honest concurrent use of those trademarks and that use neither has nor is liable to have an adverse effect on the essential function of the trademark, i.e., to guarantee consumers the origin of the goods and services[27].

From the point of view of many trademark professionals in Europe, the extremely stringent approach of the General Court leads to a paradox situation surrounded by a series of interesting questions as follows:

1) It is unclear why the impact of peaceful coexistence would be relevant only where the trademarks in question are identical. If it is a fact or relevant to the assessment of a likelihood of confusion (which arises also in relation to similar trademarks), should it not be taken into account for similar trademarks as well?

2) The Court criticised the fact that ASOS' evidence did not include the manner in which the public was exposed to the trademarks on the market; in a previous decision, the Court noted that long-term and undisputed coexistence of potentially conflicting trademarks in several countries is not sufficient either. If there was evidence of actual confusion, one would expect the opponent to submit it to the Office. How can the applicant submit evidence of the fact that the public exposed to the trademarks on the market was not confused? Is it possible to gather evidence to satisfy the Office of the negative?

3) In probative terms, what sort of exercise should be conducted by an applicant to produce statistically relevant evidence that there is the absence of confusion? The only method that comes to mind is a survey, but we understand from the Court that evidence should be produced in respect of each Member State of the EU.

4) Further, what if both parties do not operate in all Member States of the EU? Can the Member States in which only one or neither of them operates be excluded? Presumably it would be inconsistent to do so, as evidence of peaceful coexistence in part of the territory does not have the effect of excluding a likelihood of confusion in the EU as a whole.

Currently, it seems that the Court may have entirely excluded that peaceful coexistence of two trademarks in the whole territory of the EU may ever be shown.[28]

In terms of difficulty of the Courts in dealing with disputes between owners of the coexisting trademarks, the situation of the EU Courts today may be that of the Chinese Courts tomorrow, because most of the questions raised above may have to be answered by the Chinese Courts in future. Therefore, it would be reasonable that China encourages standardization of coexistence agreements through providing a relevant guidance even with certain samples. Such a guidance should not only increase the efficiency of the trademark registration proceedings from the point of views of the applicants and the TRAB, but also set a good basis for the Courts to handle the coexistence-related disputes in future.

Case "SKYPE" ruled by the General Court[29]

In this case, the General Court has, following a lengthy ten-year dispute, denied registration of the EUTM applications incorporating the word "SKYPE" on the basis that they are confusingly similar to the earlier EUTM for "SKY".

The company SKY opposed the registration of two EUTM applications " skype " and "SKYPE" in Classes 9, 38 and 42, filed in 2004 and 2005, claiming that these two trademarks were confusingly similar to the EUTM application "SKY" filed in 2003. The Opposition Division at the EUIPO ruled in favour of SKY in 2010. The EUIPO's Board of Appeal upheld the oppositions in 2013 and 2012, respectively.

The company Skype appealed to the General Court alleging that the opposition rulings infringe Article 8(1)(b) of the EUTMR. In support of its single plea, Skype claimed: 1) The trademarks were not similar. 2) The "SKYPE" trademarks had acquired, through extensive use, a secondary meaning for the goods and services concerned. 3) The "SKYPE" and "SKY" trademarks have been coexisting on the market without confusion for many years.

On 5 May 2015, the General Court delivered separate judgments on each case rejecting all three grounds of appeal, thus ruling in favour of SKY in both cases.

Regarding the comparison of the trademarks, the General Court agreed with the Board of Appeal's findings, confirming that the dominant element of the trademark consisted of the first three letters S, K and Y, which appeared at the beginning of the trademark and formed part of the basic vocabulary of the English language. Specifically in relation to the logo trademark "SKYPE", the General Court endorsed the Board of Appeal's view that the figurative element is a 'simple border' which closely traces the contours of the word element such that it resembles a cloud, effectively increasing the degree of conceptual similarity between the conflicting trademarks.

Skype's second claim, that its trademark had acquired a secondary meaning through extensive use, was also rejected by the General Court who stated that the likelihood of confusion must be judged by reference to the public's recognition of the earlier trademark, not the trademark applied for. Further, if indeed the trademark had acquired a secondary meaning such that "to skype" meant "to make video calls", then this would be a descriptive term and therefore not registerable.

Finally, Skype's claim that the conflicting trademarks have coexisted on the market for several years without being confused was also dismissed. The General Court noted that although the coexistence of earlier trademarks on the market can reduce the likelihood of confusion, in the present case, co-existence concerned only one isolated and highly specific service, namely peer-to-peer communica-

tion, which was outside Sky's core business. Accordingly, such a specific service could not diminish the likelihood of confusion for the entirety of the remaining list of goods and services covered by the trademarks. Furthermore, Skype's peer-to-peer communication service had only launched for 22 months since the date of filing the trademark application which was a manifestly insufficient period of activity for assuming that the coexistence was based on the absence of a likelihood of confusion.

Thus, Skype's single plea in law was rejected and the action dismissed in its entirety. Microsoft, having acquired Skype in 2011, has announced its intention to appeal to the CJEU.

Compared to the "SKYPE" mentioned before, the ruling of the General Court seemed to be more reasonable, although the decision was made unfavourable to the EUTM applicant, either.

The Court's rejection of the three claims of the applicant was understandable by referring to the EU Guidelines. The decision indeed gave us an impression that the possibility cannot be ruled out that the coexistence of two trademarks on a particular market might, together with other elements, contribute to diminishing the likelihood of confusion between those trademarks on the part of the relevant public, as mentioned in the EU Guidelines (Part C, Section 2, Chapter 6).

In China

Case "Nexus" ruled by the Chinese Supreme People's Court (SPC)[30]

At the end of 2016 the SPC made a ruling to allow, for the first time, identical or highly similar trademarks to coexist on the register in respect of similar goods, on the basis of a coexistence agreement between the owners of the conflicting trademarks.

The case relates to two appeals concerning the two trademark applications filed for registration by Google Inc. (No. 11709162 and No.11709161 in Class 9 covering "handheld computers, laptops"), which were blocked by an earlier trademark owned by Shimano Inc. (No. 1465863 in Class 9 covering "computers for bicycles"), as shown in the picture below.

NEXUS nexus

the applied-for trademarks

NEXUS

the earlier trademark

The TRAB held that Google's trademarks are similar to the earlier trademark in respect of similar goods, and refused them for registration. On appeal to the court, Google submitted a coexistence letter of consent during the court appeal of the first instance. The first instance court upheld the TRAB's decisions, and held that even where the parties have agreed to co-existence, if the conflicting trademarks are identical or highly similar in respect of identical or similar goods, the later ones shall be refused to maintain market order and avoid consumer confusion. On the appeal to the second instance court, the BHC, the TRAB's decision was upheld once more.

The SPC overturned the decisions of the TRAB and the Courts and permitted the Google's trademarks being registered with the following grounds:

Firstly, concerning classification of the goods, the goods of the conflicting trademarks are only related in form to computers commonly. However, the earlier trademark covers the "computers for bicycles" which relate closely to the bicycle sport, while the later ones the "handheld computers, laptops" which are in the field of consumer electronics. Correspondingly, certain difference exists between the relevant goods considering factors such as function, purpose of use, distribution channel, manner of use and consumers of the goods.

Secondly, the SPC takes into account the letter of consent issued by the holder of the earlier trademark as an important factor to determine whether or not the registration of the trademarks applied for contravenes Article 28 of the CTL due to following grounds:

- Under Articles 42 and 43 of the CTL, the owner of the earlier trademark may legally dispose of its trademark right, which should be respected as long as it is not contrary to the interests of the country, society or third parties. As a form of legally disposing its trademark right, the trademark owner may clarify, through signing a letter of consent, that he agrees with registration or use of the applied-for trademark.
- Registration and use of the applied-for trademarks will give a more direct and practical impact on the interests of the owner of the earlier trademark than on the interests of consumers generally. In absence of any objective evi-

dence, neither his judgment on and dispose of his legitimate right nor his granting of the letter of consent should be denied or refused simply relying on an assertion that it is detrimental to interests of the consumers.

• The trademarks can be used together with other business signs (such as the company names and specific product packages of Google Inc.) to differentiate the origins of the goods.

Although the SPC allowed the registration of the conflicting trademarks with the identical or highly similar signs, it did not give up the requirement that prerequisite for trademark coexistence is the absence of a likelihood of confusion. In fact, relying on the letter of consent and relevant evidence, the SPC corrected the degrees of similarity between the goods and between the trademarks, so that the coexistent registration can be allowed. On the one hand, the SPC lowered the degree of similarity between the goods, relying on the evidence showing that certain difference exists between the goods covered by the conflicting trademarks in consideration of factors such as function, purpose of use, distribution channel, manner of use and consumers of the goods. On the other hand, the SPC reduced the degree of similarity between the trademarks based on the evidence proving that the trademarks can be used together with other business signs (such as the company names and specific product packages of Google Inc.) to differentiate the origins of the goods.

Under the situation that the conflicting trademarks are highly similar, the SPC's conclusion on the absence of a likelihood of confusion is even understandable by referring to the so-called interdependence principle given in the EU Guidelines (Part C, Section 2, Chapter 7). According to this principle, the global assessment of the likelihood of confusion implies consideration of some interdependence between the relevant factors, in particular, between similarity degree of the goods and similarity degree of the trademarks. A lesser degree of similarity between the goods may be offset by a greater degree of similarity between the trademarks. This means for the present case that the difference between the fields of the bicycles and the consumer electronics lowered the similarity degree of the relevant products, which can be used to compensate the high similarity degree of the trademarks.

The SPC's decision may provide a guidance to the TRAB and the courts in the future, possibly paving the way for coexistence agreements to hold greater weight even in case of identical or highly similar trademarks.

Case "worldline" ruled by the BHC[31]

In March 2017, several months after the above-mentioned ruling of the SPC, the BHC handed down another interesting administrative case, where the trademark application for the disputed word trademark "worldline" was filed by Atos Worldline SA, a France-based company providing payment and transactional services for use on products in Class 9, which are related to "financial transaction security software". This application was refused by the CTMO on the grounds that it was similar to the earlier registered trademarks "WORLDLINER" (No. 4507667) and "WORLDLINK" (No. 4532680) which are designated for use on the identical or similar products. Thereafter, the TRAB and the first instance court, namely the Beijing IP Court, both sustained the CTMO's refusal decision after the Worldline SA's appeals.

Further dissatisfied, Worldline SA appealed to the BHC and adduced two letters of consent with the trademark owners of the two earlier trademarks on registration of the trademark applied for. The BHC nevertheless held that a trademark coexistence agreement is insufficient for allowing the disputed trademark to be registered and that the similarity between the trademarks and the similarity between the products still must be taken into consideration to determine if the agreement diminishes the likelihood of confusion. In this case, the BHC assessed the likelihood of confusion by comparing the disputed trademark with two earlier trademarks, separately, as follows.

In terms of the registered trademark "WORLDLINK", because of its different pronunciation and meaning compared to the disputed trademark "worldline", these two trademarks are deemed dissimilar. Further, considering certain difference in the uses and the consumers of the goods covered by the two trademarks, and the coexistence agreement between the relevant owners, the registered trademark "WORLDLINK" is not an obstacle to the registration of the disputed trademark.

In terms of the other registered trademark "WORLDLINER", except for its last letter "R", it does not differ from the disputed trademark "worldline" as a whole visually, phonetically and conceptually. Further, the goods designated for the two trademarks belong to the same Subclasses, and these goods do not differ from each other in their function, usage, manufacturing sector and consumers. Under such a situation, the likelihood of confusion can not be avoided,

even when a trademark coexistence agreement was submitted.

In addition, Worldline SA claimed that the applied-for trademark obtained efficiently its enhanced distinctiveness through a large amount of its use together with the company name for a long time, so that the trademark could be used to identify origin of the goods without confusion. However, the BHC held that the evidence was insufficient for proving the use of the company name for a sufficiently long time, so that the relevant public can differentiate the conflicting trademarks from each other without confusion. Therefore, considering the high degree of similarity between the disputed trademark "worldline" and the registered trademark "WORLDLINER", and that of the relevant products, the disputed trademark was not allowed to be registered.

It is interesting to note in this case that the separate assessments were made on the two earlier trademarks, respectively, which led to the two totally different results with or without likelihood of confusion under the same coexistence agreement. The reduced degree of similarity between the trademarks "WORLDLINK" and "worldline" due to their aural and conceptual differences, and the reduced degree of similarity of the goods covered by these two trademarks could lead to the conclusion of the absence of a likelihood of confusion. In contrast, the coexistence of the trademarks "WORLDLINER" and "worldline" could cause a likelihood of confusion, because the degree of similarity between the trademarks and the degree of similarity between the relevant goods could not be reduced from the point of view of the BHC.

VII. Conclusion

- Trademark coexistence has many economic advantages for the relevant trademark owners, the consumers as well as the trademark systems, which leads to its increasing importance in Europe and China. In the EU, there is an actionless governance over many trademark coexistence agreements, which are mostly private contracts in effect and exist outside trademark law, until a dispute occurs between the contract parties, while, in China, the TRAB and Courts have, under the motto that autonomy and right of disposal of a right holder should be respected, become in the recent years more likely to consider coexistence agreements in the trademark registration proceedings.
- The Offices and Courts of the EU and China require commonly that the most important prerequisite for trademark coexistence is the absence of likelihood of confusion to the relevant public. In terms of trademark coexistence, it is most commonly argued by the EUTM applicant as a defence in the opposition proceedings that there is no likelihood of confusion because of the peaceful coexistence or the opponent's tolerance of the coexistence, while the Chinese applicant submits, in order to overcome the CTMO's refusal to trademark registration on relative grounds, a coexistence agreement to prove the absence of likelihood of confusion before the Chinese TRAB or Courts.
- The EU and China apply similar approaches to examine a likelihood of confusion by considering different factors and weighing up degrees between similarity of the goods/services and the similarity between the trademarks in a global and comprehensive way. However, they differ from each other in two essential aspects. Firstly, in order to determine similarity of the goods/services, the Office and Courts of the EU take different factors into account in a dynamic way, while the CTMO and TRAB mainly refer to the specific Subclass system with certain limitations. Secondly, to assess the similarity between trademarks, the enhanced distinctiveness or reputation is considered for the earlier trademark by the EUIPO and Courts, for both of the conflicting trademarks by the TRAB and the Chinese Courts in reexamination or opposition proceedings, and for none of the trademarks by the CTMO in the registration proceedings, respectively.
- In the EU, under the condition that the owners of the conflicting trademarks are the opposition parties, the Office and Courts treat the indicative value of coexistence with much caution, which makes it very difficult for the EUTM applicant to establish that the trademarks are not confusingly similar based on the peaceful coexistence. In China, the recent rulings of the BHC demonstrate that, when assessing likelihood of confusion, the relevant factors have been reexamined and weighed up based on the arguments and evidence submitted by the applicant together with the coexistence agreement. It can be seen that, when the CTMO's refusal to trademark registration was overturned, the BHC always corrected the two factors, i.e. the degree of similarity of the goods/services, which had been determined by the CTMO or TRAB by referring to the Subclass system, and the enhanced distinctiveness for the conflicting trademarks, which had not been examined by the CTMO or TRAB. This behavior of the BHC could be confirmed by the SPC with

its recent ruling to the "Nexus" case.

- In Europe, under the situation that there will be continuously a lot of trademark coexistence agreements existing, in order to fairly treat both contract parties, the very stringent conditions for the EUTM applicant to prove the absence of a likelihood of confusion based on the peaceful coexistence should become more reasonable. In China, it is expected that a standard will be established so that the TRAB and Courts can consistently handle an increasing number of the cases related to coexistence agreements. It may be worthy to encourage standardization of coexistence agreements with help of a guidance, which should not only increase the efficiency of the trademark registration proceedings from the point of view of the applicants as well as the TRAB, but also set a good basis for the Courts to handle the coexistence-related disputes in future. ■

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