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## CHINA IP LEGAL WATCH

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### CHINA'S SUPREME PEOPLE'S COURT CLARIFIED CRITERION ON HEARING ADMINISTRATIVE CASES CONCERNING TRADEMARK GRANTING AND OWNERSHIP DETERMINATION

BY BILL H. ZHANG

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*On April 20, 2010, the China's Supreme People's Court ("Supreme Court") issued an Opinion on Several Issues Relating to Hearing Administrative Cases Regarding Trademarks Granting and Ownership Determination ("Opinions"), which took into effect immediately. In the Opinion, the Supreme Court has clarified certain new criterion for hearing administrative cases involving trademark granting and ownership determination, specifically, clarified those important issues relating to (i) the impact of the massive use of the disputed trademark on its final granting and ownership determination; (ii) the registration of geographical names as trademark; (iii) the judgment on distinctiveness of the disputed trademark; (iv) the registration of commodity general names as trademark; (v) the special protection to well-known trademark; (vi) the intentioned registration of trademarks in bad faith; (vii) the judgment on the similarity on goods and trademarks; (viii) the protection to the prior trademark; and (ix) the cancellation of registered trademark. These newly clarified and established criterions will have a significant impact on the trademark protection strategies of foreign investors having registered trademarks and doing business in China. Foreign investors shall acquaint themselves with these new rules. This article tries to address these new rules and analyze its impact on trademark protection in China.*

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#### BACKGROUND

Since the second revision to the Chinese Trademark Law<sup>1</sup>, people's courts have started accepting and hearing administrative cases regarding the relevant interested parties' claims against the Trademark Review and Adjudication Board ("TRAB") for rejected trademark review, disputed trademark review, trademark dispute, trademark revocation review and other related administrative services. These are so called administrative litigation cases concerning trademark granting and ownership determination ("Trademark Administrative Cases"). Any interested parties, when dissatisfied, may initiate legal actions against TRAB's decisions<sup>2</sup>. Recently, the amount of the disputes relating to Trademark Administrative Cases has increased sharply. In order to better hear such cases, and standardize the trial criteria, the Supreme Court has timely issued the Opinions to clarify the following important issues concerning Trademark Administrative Cases.

#### IMPACT OF MASSIVE USE OF DISPUTED TRADEMARK ON ITS FINAL GRANTING AND OWNERSHIP DETERMINATION

The Opinions have set out an important criterion to the trial of Trademark Administrative Case, i.e. whether the trademark in question has been massively used. This will have a significant impact on the final judgment. According to the Opinion, when hearing Trademark Administrative Cases in which the disputed trademarks have not yet been massively used, people's courts may take reasonably high standard for granting and determining ownership of the disputed trademark when examining and deciding whether the trademarks and goods are similar, and whether the disputed trademark conflicts with the prior trademarks.

### **REGISTRATION OF GEOGRAPHICAL NAMES AS TRADEMARK**

Under the Trademark Law, the geographical names of (i) administrative regions at the county level or above; and (ii) foreign countries known by the public are generally not allowed to be registered or used<sup>3</sup>. The Opinions have reduced the restriction by regulating that it is still registerable if the trademarks in question are formed by other key elements and overall meet the requirement of distinctiveness so that such geographical names become irrelevant or insignificant. This is an improvement and good news for foreign investors who would like to get certain geographical names specially relating to their products or services registered as trademark in China.

### **JUDGMENT ON DISTINCTIVENESS OF DISPUTED TRADEMARK**

The Opinions have adopted the criterion of the common knowledge of the relevant public to evaluate whether a disputed trademark is distinctive. Descriptive elements in the disputed trademarks are irrelevant to the distinctiveness of such trademarks as a whole. Those disputed trademarks which are descriptive but presented in unique manners so that the relevant public is able to distinguish the origin of the goods shall be recognized as distinctive. In addition, the Opinions have also illustrated several specific situations in which the disputed trademark shall be deemed as having no distinctiveness.

### **REGISTRATION OF COMMODITY GENERAL NAMES AS TRADEMARK**

When determining whether the disputed trademarks are commodity general names, the Opinions have distinguished two situations, i.e. legally or traditionally recognized commodity names. Where the names in question are general commodity names under the relevant statutory provisions, national standards or industrial standards, such names shall be deemed as commodity general names and are not registerable as trademarks. Where it is commonly believed by the relevant public that a name sufficiently represents a type of commodities, such name shall be deemed as a traditionally recognized commodity general name and is not registerable as trademark either. Commodity names listed in professional tool books or dictionaries may be referred to as traditionally recognized commodity general names. In addition, the Opinions have also set out a time window for determining whether the disputed trademarks are commodity general names to the actual condition of the trademarks at the time the respective applications are filed.

## **SPECIAL PROTECTION TO WELL-KNOWN TRADEMARK**

The Chinese laws provide an overall protection to well-known trademark<sup>4</sup>, with no exception to the Opinions. According to the Opinions, when defining the scope of protection for a well-known trademark for its use on different goods, the scope shall be appropriate to the degree of its famousness, and, in determining the scope of protection for a Chinese registered trademark that has been widely known to the public for its use on different goods, a broader scope of protection appropriate to the degree of its famousness shall be offered.

## **INTENTIONED REGISTRATION OF TRADEMARKS IN BAD FAITH**

Since, in practice, the intentioned registration in bad faith is quite common. The Opinions have set out a stricter and clearer criterion to prohibit such intentioned registration in bad faith. According to the Opinions, where a trademark attorney or representative, or a trademark agent or representative from a sales agent relationship (“Trademark Agent or Representative”) registers in its own name without authorization the trademark of its principal or the person it represents, such registration shall be determined as the act of squatting the trademark of the principal or the person being represented. If the rush-register occurs before the establishment of the relationship, such act shall also be considered as the trademark squatting. In addition, the trademark which an agent or a representative may not apply for registration include not only the marks identical but also similar to the trademarks of the principal, and the goods that can not be registered include those identical or similar to the goods on which the trademark of the principal is used.

## **JUDGMENT ON SIMILARITY ON GOODS AND TRADEMARKS**

To effectively hear Trademark Administrative Cases, the Supreme Court has set a practical standard for distinguishing the similarity of marks and goods. According to the Opinions, people’s court shall, when examining and judging if relevant goods or service are similar, consider (i) whether the goods’ function, application, production department, sales channel or customer group is the same or of greater relevance; (ii) whether the service’s purpose, content, method or target is the same or of greater relevance; (iii) whether the goods and services are of greater relevance; and (iv) whether the relevant public is easily made to believe that the goods or service are provided by the same provider or is in a specific relation with the provider. Of course, the Nice Classification and the *Classification on Similar Group of Goods and Services* may also be referred to when judging similar goods and services.

## **PROTECTION TO PRIOR TRADEMARK**

The Trademark Law has a general provision that an application for registration of a trademark must not cause any damages to any other person’s existing prior rights<sup>5</sup>.

The Opinions have clearly clarified and exemplified the proper application of this general provision by distinguishing different situations. More over, the Opinions have fixed the protection to prior trademark to the time window when the disputed trademark is applied for registration. The disputed trademark is registerable if the prior rights do not exist any longer when the disputed trademark is in the approval for registration. In addition, the Opinions also specify if an applicant knows or should have known that a trademark is already in use by another party and is influential to a certain extent but anticipatorily registers such trademark, such act of registration may be deemed as an improper manner and his registration shall be denied.

### **CANCELLATION OF REGISTERED TRADEMARK**

According to the Trademark Law, if a trademark is registered through deceitful means or other improper means, it shall be cancelled for registration<sup>6</sup>. The Opinions have clarified and fixed those improper means to protection to the relevant public interests. For instance, those registered trademarks shall be cancelled if they are registered in such manner that the trademark registration system is intervened, the public interests are impaired, public resources are misused or improper benefit is gained.

The Trademark Law provides for a cancellation system to registered trademark for non-use for three consecutive years<sup>7</sup>. In practice, the owner of the registered trademark often argues that his trademark is in actual use to defend cancellation. The Opinions have clarified several specific situations of actual use of disputed trademark. For instance, the use of a trademark by its owner or the owner's licensee may be deemed as actual use. Where a trademark in actual use is insignificantly different from the registered trademark but the distinctiveness remains unchanged, the registered trademark may be deemed as in actual use. However, if the owner is incapable of actually using his registered trademark due to any force majeure or other factual grounds, such incapability shall not enable the cancellation.

### **CONCLUSION**

With sharp increase of Trademark Administrative Cases, the Supreme Court has timely issued the Opinions since the Trademark Law keeps silent on many important issues relating to trademark granting and ownership determination. The Opinions have materially supplemented and clarified the Trademark Law in these aspects. Most importantly, the Opinions have established certain new rules and criterion which will have significant impact on trademark protection and enforcement strategies of foreign investors doing business in China. In this sense, foreign investors shall timely acquaint themselves with these new rules and criterion, and adjust their trademark protection strategies in China so as to keep in line with the Opinions.

### **ABOUT THE AUTHOR**

**BILL H. ZHANG** is the managing partner of China Sunbow & Associates with rich experience in cross-border transactions involving China, particularly on intellectual property transactions such as patent and trademark prosecution, enforcement, dispute resolution, infringement analysis, due diligence, technology license and transfer, as well as on corporate and commercial matters, such as mergers and acquisitions, direct investment in China, joint venture, international trade, corporate governance and compliance, restructuring and reorganization, labor and employment, and dispute resolutions. He can be reached by email: [bill.zhang@chinasunbow.com](mailto:bill.zhang@chinasunbow.com), phone: +8621 5081 5229 or fax: +8621 5081 5239.

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<sup>1</sup> The Chinese Trademark Law was enacted by the Standing Committee of the National People's Congress on August 23, 1982, and was revised on February 22, 1993 and October 27, 2001, respectively.

<sup>2</sup> Article 43 of the Trademark Law.

<sup>3</sup> Article 10 of the Trademark Law.

<sup>4</sup> Article 13 of the Trademark Law.

<sup>5</sup> Article 31 of the Trademark Law.

<sup>6</sup> Article 41 of the Trademark Law.

<sup>7</sup> Article 44 of the Trademark Law.