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PRESS RELEASE

Opinions on Several Issues Concerning the Trial of Administrative Cases Involving the Authorization and Determination of Trademark Rights

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Since the Decision of the Standing Committee of the National People's Congress on Amending the Trademark Law of the People's Republic of China came into force on December 1, 2001, the people's courts started accepting and hearing cases about the authorization and determination of trademark rights as brought by the interested parties for the review of rejection of trademark registration applications, review of objections against trademarks, review of trademark disputes, review of cancellation of trademarks and other specific administrative acts made by the Trademark Review and Adjudication Board of the State Administration for Industry and Commerce, have actively explored issues concerning the application of law in the trial of these cases, and have accumulated a lot of judicial experiences. To better try administrative cases about the authorization and determination of trademark rights, further summarize judicial experiences, and clarify and unify the standards for hearing such cases, the Supreme People's Court held many symposiums and launched many investigation and research activities to hear advices from the relevant courts, departments, experts and scholars, and have researched on and summarized the application of law in the trial of administrative cases about the authorization and determination of trademark rights. Based thereon, and according to the Trademark Law of the People's Republic of China, the Administrative Procedure Law of the People's Republic of China and other relevant laws and regulations, the Supreme People's Court presents the following opinions in light of the actual situations of the adjudicative work:

1. In the trial of administrative cases about the authorization and determination of trademark rights, if the disputed trademark has not been put into extensive use, in examining the conditions for the authorization and determination of trademark rights such as trademark proximity and similarity and in handling the conflicts with prior trademarks, the people's courts shall strictly stick to the standards for the authorization and determination of trademark rights, fully consider the interests of consumers and business operators in the same sector, effectively control malicious registration behaviors, pay attention to protecting the rights and interests of prior trademarks, enterprise names and other trademarks which are relatively famous and prominent to other people, and do their best to eliminate the possibility of confusion of trademarks. For disputed trademarks which have been put into use for a relatively long period of time, have established relatively high reputation in the market and have formed a relevant

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public group, the people's courts shall accurately apply the legislative spirit of the Trademark Law with regard to keeping balance between protecting the rights and interests of prior trademarks and maintaining market order, fully respect the fact that the relevant public has distinguished them from other trademarks, and maintain the established stable market order.

2. In practice, some marks or the elements thereof may have somewhat been exaggerated but the relevant public is not likely to be misled based on their life experiences or common senses. In this case, the people's courts shall not determine them as marks that constitute exaggerated advertising and are deceitful.

3. In judging whether a mark has any other adverse effect, a people's court shall consider whether the mark or any of its elements is possible to cause any negative effect on political, economic, cultural, religious, ethnic and other public interests or the public order. If a mark would only damage certain civil rights and interests after it is registered, since the Trademark Law has provided the remedy measures and the corresponding procedures, it is not appropriate to decide that the mark has any other adverse effect.

4. According to the Trademark Law, generally, the name of a place in an administrative division at or above the county level or the name of a well-known place in a foreign country may not be registered or used as a trademark. In practice, some trademarks are composed of place names and other elements. In this case, if the addition of other elements endows the trademark with distinctive characteristics, and as a result the trademark no longer has the implication of the place name or at least the place name does not constitute the major contents of the trademark, a people's court may not decide the trademark as one whose registration is forbidden on the ground that it contains the name of a place in an administrative division at or above the county level or the name of a well-known place in a foreign country.

5. In the trial of administrative cases about the authorization and determination of trademark rights, the people's courts shall decide whether the disputed trademark has distinctive characteristics as a whole based on the common sense of the relevant public of goods which are required to use the trademark. If the descriptive element contained in a trademark does not affect the trademark's distinctiveness or if the descriptive element is manifested in a unique way and the relevant public is able to identify the source of goods based on the element, the people's court shall decide that the trademark has distinctive characteristics.

6. In the trial of administrative cases about the authorization and determination of trademark rights, the

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people's courts shall decide whether a disputed trademark in a foreign language has distinctive characteristics based on the common sense of the relevant public in China. If the foreign words in a disputed trademark have fixed meanings but do not affect the relevant public's identification of the source of goods, the distinctive characteristics of the trademark shall be confirmed.

7. In judging whether a disputed trademark is a generic name, a people's court shall check whether it is a commodity name formed by law or established by usage. A trademark shall be determined as a generic name if it fits the descriptions of any law, national standards or industrial norms. A trademark shall be determined as a generic name established by usage if it is generally recognized by the relevant public that the name refers to a certain category of goods. Where a trademark is listed as a commodity name by a specialized reference book or thesaurus, this fact shall be taken into account for deciding whether it is a generic name established by usage.

The judgment of a generic name established by usage is generally based on the common sense of the relevant public around the whole nation. For goods for which relatively stable markets have been established due to historical tradition, social customs, geographic environment and other causes, titles universally accepted in these markets can be determined as generic names.

Where an applicant knows or should have known that the trademark he applies for registration is a commodity name established by usage in a certain area, it shall be deemed that the trademark is a generic name.

8. A people's court shall decide whether a disputed trademark is a generic name based on the factual state at the time when the trademark registration application is filed. If the trademark is not a generic name at the time of application but it becomes one at the time when the application is examined, the trademark shall still be determined as the generic name of the commodity concerned. If the trademark is a generic name of the commodity concerned at the time of application, but it stops being one at the time when the application is examined, the generic name matter shall not impede it from getting registered.

9. If a mark is only or mainly to describe or state the quality, major raw materials, functions, uses, weight, quantity, place of origin or any other characteristics of goods using it, it shall be deemed that it has no distinctive characteristics. However, if a mark or any element thereof implicitly indicates the characteristics of goods without confusing the general public as to the source or functions of the goods, it shall be exceptional.

10. In the trial of administrative cases about the authorization and determination of trademark rights concerning the protection of famous trademarks, the people's courts may apply Articles 5, 9 and 10 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases of Civil Disputes over the Protection of Famous Trademarks by analogy.

11. When determining the protective range of a famous trademark which has already been registered in China against dissimilar goods, a people's court shall consider its degree of fame. For a famous trademark which is well known to the general public and has been registered in China, a people's court shall, when deciding its protective range against dissimilar goods, grant a relatively large protective range commensurate with its degree of fame.

12. Where any agent or representative of a trademark or any agent or representative in the sense of distribution or sales thereof registers, in its or his own name, the trademark of the principal or the represented without authorization therefrom, the people's court shall decide that the trademark is maliciously registered by the agent or representative. In adjudicative practice, some malicious registration behaviors occur during the formation of the agency or representative relations, that is to say that they occur before the agency or representative relations are established, the people's courts shall also deem such behaviors as malicious registration by agents or representatives. A trademark registration applicant who colludes with an agent or representative as mentioned above for the malicious registration of the trademark can be deemed as an agent or representative. Collusions in the malicious registration of a trademark can be judged based on the special relationships between the trademark registration applicant and the above-mentioned agent or representative.

13. Marks that an agent or a representative is forbidden to register include not only those identical with but also those similar to the mark of the principal or the represented. Goods that an agent or a representative is forbidden to register include not only those identical with but also those similar to the goods of the principal or the represented.

14. To judge the similarity and proximity of goods in the trial of administrative cases about the authorization and determination of trademark rights, the people's courts may apply the Interpretation of the Supreme People's Court Concerning the Application of Law in the Trial of Cases of Civil Disputes Arising from Trademarks by analogy.

15. To judge whether some goods or services are similar, a people's court shall consider whether the functions, uses, production sectors, distribution channels and consumers of these goods are identical or largely relevant, whether the purposes, contents, modes and targets of services are identical or largely

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relevant, whether the goods and the services are largely relevant, whether it is easy to make the relevant public believe that the goods or services are provided by a same party, or whether there is any specific connection between the providers. The Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks and the Classification Table of Similar Goods and Services may serve as references in judging similar goods or services.

16. To decide whether a trademark is proximate to another trademark, a people's court shall take into account its elements and overall proximity, the distinctiveness and popularity of the other trademark, the relevancy between goods using these trademarks, etc., to see whether it is easy for the public to confuse them.

17. The people's courts shall correctly understand and apply the general provision in Article 31 of the Trademark Law that "anyone applying for trademark registration may not damage the existing prior rights of others". When judging whether a disputed trademark damages the existing prior rights of others, a people's court shall, for the prior rights which have been specially provided for by the Trademark Law, protect them under these special provisions and, for those which are not mentioned in the Trademark Law but are the legitimate rights and interests that need to be protected according to the General Principles of the Civil Law and other relevant laws, protect them under these general provisions.

As a general principle, a people's court shall decide whether a disputed trademark damages the existing prior rights of others based on the date of application. If no prior rights exist at the time of the examination and approval of the registration application of a disputed trademark, they shall not affect the registration of the disputed trademark.

18. According to the Trademark Law, an applicant may not adopt illicit means to maliciously register a trademark which has been used by others and has certain influence. If an applicant tries to do so when he is fully aware of or should have known the fact that the trademark has been used by others and has certain influence, it shall be deemed that illicit means have been adopted.

A trademark which has been actually used and is known by the relevant public in a certain range in China shall be determined as one which has been used by others and has certain influence. A trademark can be determined as having certain influence if there is evidence to prove that it has been used for a certain period of time or in a certain area or has certain sales volume or advertisements.

For a trademark which has been used and has certain influence, it is not appropriate to protect it on

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dissimilar goods.

19. In the trial of an administrative case about canceling a registered trademark, to judge whether the disputed trademark is registered by other illicit means, a people's court shall take into account whether the illicit means, other than deceitful means, are means which disturb the trademark registration order, damage the public interests, illicitly occupy public resources or seek for illicit profits in any other form. If it only concerns the damage of certain civil rights and interests, paragraphs 2 and 3 of Article 41 and other relevant provisions of the Trademark Law shall apply.

20. In the trial of an administrative case about canceling a registered trademark which has not been used for three consecutive years, a people's court shall correctly judge whether the act involved in the case constitutes actual use based on the legislative spirit of the Trademark Law.

The use of a trademark by the trademark right holder, upon the permit of the trademark right holder or otherwise without going against the trademark right holder's will shall be deemed as actual use. Where a actually used trademark has any slight difference with one which has been registered but does not change the latter's distinctive characteristics, it shall be deemed the actual use of the registered trademark. A registered trademark shall not be deemed as having been used if it has not been actually used but has only been transferred or licensed, if there is only publication of the registration information or if there is only declaration on the exclusive right to the trademark.

Where a trademark right holder fails to actually use or stops the use of the registered trademark due to such objective causes as force majeure, policy restrictions and bankruptcy liquidation, or where a trademark right holder has intents to use the trademark and has made necessary preparations for the actual use of the trademark but fails to do so due to any other objective causes, it shall be deemed that the trademark right holder has justifiable reasons.

Lehman, Lee & Xu is a prominent Chinese corporate law firm and trademark and patent agency with offices in Beijing, Shanghai, Shenzhen, Hong Kong, Macau, and Mongolia. The firm is managed by Mr. Edward Lehman who is a long-time China resident, and is recognized as a leading expert on corporate law with 21 years of practice experience in Mainland China.

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