

Likelihood of confusion and dilution clarified by the Supreme People's Court in its recent Interpretation of the revised Trademark Law

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In China, the Supreme People's Court proactively interprets the laws. It does so through exhaustive and detailed documents published under various titles, and at various levels, which serve as guidance for the lower courts. "Interpretation" and "Provisions" are the highest level and lower courts are required to follow them. "Explanation" or "Opinion", are of lesser importance and not binding, but they still have a strong influence on the practice of lower courts.

Concerning the Trademark Law, the SPC usually makes a distinction between civil litigation¹ (infringement disputes), and administrative litigation² (oppositions, invalidation, revocation of trademarks etc.). However, it also happens that the SPC addresses intellectual property issues in general³.

On December 12, 2016, the SPC adopted the *"Provisions on Several Issues Concerning the hearing of Administrative Cases Involving the Granting and Affirmation of Trademark Rights"* which became effective on March 1, 2017. This long-awaited *Provisions* concerns the revised trademark law (entered into force on May 1st, 2014), which opens new horizons and settles old divergences.

"Likelihood of confusion" a criterion wider than "similarity"

The likelihood of confusion between a prior trademark and a "junior" trademark, when it is established, is the main cause of refusal or invalidation of such a junior trademark.

Surprisingly, the Chinese Trademark Law (before the last revision of 2014) was (almost) silent about the concept of likelihood of confusion. The only exception was article 13.1 (renumbered 13.2 in the revised law) which prohibits the registration of "...a trademark applied in respect of identical or similar

¹ *"Interpretation of the SPC on Certain Issues Regarding the Application of Law in the Trial of Civil Cases Involving Trademark Disputes"* - October 12, 2002.

² *"Opinions of the SPC on Certain Issues Concerning the Trial of Administrative Cases Involving the Granting and Affirmation of Trademark Rights"* - April 20, 2010.

³ *"Opinions of the SPC on How to Exploit Intellectual Property Trials to Further and Enrich the Socialist Culture and to Develop a Self-reliant and Balanced Economy"* - December 16, 2011.

goods (which) is a duplication, imitation or translation of another person's well-known trademark not registered in China, and the applied trademark is likely to cause confusion...".

Apart from the above, no reference was made to the likelihood of confusion. The "old" articles of the law - art. 28 (refusal to register an identical or similar trademark on identical or similar goods), art.31 (refusal to register a preemptive application by unfair means of a trademark already used and having a certain influence), and art.41.2 and 3 (invalidation of a trademark registered in violation of the above articles 13, 28 and 31) which have been respectively re-numbered 30, 32 and 45.1 in the new law of 2014 - have not been changed : there is no reference to the likelihood of confusion.

These articles provide for two criteria only: (1) the similarity between the signs and (2) the similarity between the goods/services. The examiner or judge is to decide whether the trademarks are similar, by making a comparison between the signs, and whether the goods are similar, usually by checking a pre-established list of similar goods and services.

However, the concept of likelihood of confusion was introduced in the 2014 revision of the Law, but only in article 57.2 which defines the act of trademark infringement. Article 57 concerns civil disputes, not administrative disputes.

Article 57.2 distinguishes (1) the use of an identical or similar trademark on similar goods, and (2) the use of a *similar* trademark on identical goods, "...where such use is likely to cause confusion" (the last sentence is added by the law revision). This means that it is conceivable that an objectively similar trademark could, in actual use, not be confusing.

The SPC has not yet issued any Interpretation of the Law concerning civil cases and article 57. The latest Interpretation concerning civil cases dates back to October 12, 2002⁴.

In its recent Provisions, the SPC introduces the concept of "likelihood of confusion" in administrative litigation.

The SPC explains (article 12) how to assess the likelihood of confusion under Article 13.2. The judge should assess not only to *the degree of similarity* of the trademarks and goods, but also the *degree of distinctiveness and reputation of the "older" trademark*, the general attention of the public and "other pertinent factors". The SPC even adds that it will possible to take into consideration the *intention* of the junior trademark applicant and the possible *evidence of actual confusion*. The range of admissible evidence becomes very wide and the courts are encouraged to look at the "global picture".

From a rather restricted scope of examination (similarity or no similarity between signs and goods), the judges are now asked to determine a concept - the likelihood of confusion - which can be defined as a "threshold of tolerance" beyond which a "junior" trademark cannot be accepted. Such threshold could be compared to an object of indefinite form, a "volume" which should exceed a certain amount, but which may take many shapes depending on its width, height, depth, etc. For trademarks, the higher the reputation of the prior trademark, the lower the tolerance threshold regarding the degree of similarity, and vice versa. Nothing is "black or white". Each case needs to be analyzed in view of all the circumstances.

⁴ Articles 9 and 10 of this 2002 Interpretation show that the SPC was already in the direction of the "global picture" method, but not as clearly as today. Article 9 explained what are similar trademarks "... (when the similarity) is liable to cause the relevant public to misidentify the source of the goods..." and article 10 explained how the courts should determine when two trademarks are similar "...take into consideration the distinctiveness and degree of popularity of the registered trademark of which protection is requested". In other words, the likelihood of confusion was, at that time, considered a consequence of the similarity and not a third criterion added to the similarity.

What about Article 30 and 32 ? This article does not refer to the likelihood of confusion. Should the courts restrict their analysis to examining whether the trademarks in conflict are objectively similar, or should they follow the same recommendation and look at the "global picture"? During the public presentation of the Provisions, the SPC made it quite clear that the method defined for article 13.2 should also apply to articles 30 and 32, and even to article 57.2.

Likelihood of dilution even for similar goods

Article 13.3, addresses the issue of well-known trademarks being applied or used in respect of *different* goods. The court is asked to establish whether the "junior" trademark is likely to "*mislead*", to "*create an association*" in the mind of the public that would have the consequence of harming the interests of the well-known trademark owner. This refers to dilution of the trademark, not to confusion.

In its recent Provisions, the SPC provides a list of criteria to be considered by the judges, which have some common points with the list concerning article 13.2: (1) *The distinctiveness and extent of reputation of the Cited trademark*; (2) *whether the trademarks are sufficiently similar*; (3) *the designated goods*; (4) *The extent of overlapping of the relevant public and its degree of attention*; (5) *whether similar signs are legitimately used by others*.

However, there was still an important issue that remained to be clarified.

Is it possible to claim the status of well-known trademark when opposing or requesting the invalidation of a trademark applied or registered on the same or similar goods?

This is a very frequent situation: a registered trademark owner applies to oppose or invalidate a junior trademark which has been applied or registered for the *same or similar goods*, and claims that, because of the very high reputation of his registered trademark, the litigious trademark is (i) creating a likelihood of confusion, or at least (ii) a likelihood of association and dilution. The applicant is, therefore, citing two articles of the law: article 30 and article 13.3. Under article 30, it is not necessary to recognize the well-known status of the registered trademark, but under article 13.3, such recognition is necessary.

Whenever the issue is raised at the administrative level, the China Trademark Office (CTMO) and the Trademark Review and Adjudicating Board (TRAB) object that since Article 13.3 of the law only refers to *different goods*, such request cannot be considered. This is a frustrating paradox because well-known trademarks should have a stronger protection than ordinary trademarks. If it is possible to take advantage of the high reputation of registered trademark against a litigious trademark used on *different goods*, it should even more be possible to take advantage of such high reputation where the litigious trademark is used on the *same or similar goods*.

In its recent Provisions, the SPC proposes an indirect, but apparently positive, solution to this paradox.

The Court considers the case where the owner of a registered trademark has filed an opposition or invalidation application against a litigious trademark, claiming that it is well-known (citing article 13.3), and the TRAB has ruled in favor of the registered trademark owner, but citing article 30. In such case, the SPC opines that the Court may apply article 30 if the case is within the 5-year period after the registration of the litigious trademark, or article 13.3 if the litigious trademark has been registered for more than five years.

This solution means that the SPC considers that it is possible to invoke the well-known status, and request such recognition, even when the litigious trademark is registered on identical or similar goods.

Indirectly, even if not expressly, this also means that if article 13.3 can be used after the expiration of the 5-year period, there is no reason why it could not be also used within such period. In other words, if the plaintiff can prove the likelihood of confusion, it is not necessary to apply article 13.3 and article 30 is sufficient. But if the plaintiff can only prove a likelihood of association and dilution, it should be accepted to apply article 13.3 and recognize the well-known status of the registered trademark.

This solution has been implemented in a case P&G v. TRAB and Weishida (May 19, 2016).

The “*inclusive development theory*”

In its two Opinions published on April 20, 2010 "*Opinions on Certain Issues concerning the Trial of administrative Cases of Trademark Registration*" and on December 11, 2011 "*Opinions on How to Exploit Intellectual Property Trials to Further and Enrich the Socialist Culture and to Develop a Self-reliant and Balanced Economy*", the SPC proposed a new way of adjudicating conflicts between trademarks, which was called by commentators "*the inclusive development theory*". According to this theory, the decision as to whether a "junior" trademark was similar to an "older" trademark could be based on the status of the market⁵.

When assessing the similarity between the marks, the courts were to take into consideration the reputation of both marks, the registered trademark but also the defending trademark⁶.

This was a spectacular overturn of the solution recommended in the Interpretation of 2002. If the junior trademark had reached, through use, a sufficient position in the market, the court was to declare that the junior trademark was not similar and that the two trademarks should continue to coexist⁷. Several cases, some of very high profile (*Lacoste v. Crocodile International* and *BOSS v. BOSSsunwen*) implemented the inclusive development theory and dismissed oppositions or invalidation actions against obviously similar trademarks. European officials believed that this theory was not in compliance with the Trips Agreement, and discussions took place on several occasions with the SPC.

Whether the arguments exchanged between the European side and the Chinese side stimulated further reasoning, it is hard to say. It remains that, in a more recent case "*Nei Lian Sheng v. Fu Lian Sheng*" on December 18, 2015, the SPC ruled in favor of the plaintiff and stated: "*If the court were to take into account the alleged market recognition and reputation established by use of the Fu Lian Sheng trademark, this would encourage competitors to violate the good-faith principle by ignoring the legitimate prior rights of others and expanding their business*".

⁵ Article 1 (second part) of the 2010 *Opinions*: ".....With respect to trademarks in dispute that have long been used, have established a good market reputation and have been popular among certain sectors of the public, the People's Courts should make efforts to maintain the established and stable market order."

⁶ Article 16: "*To judge whether two marks are similar, the People's Courts should not only examine the degree of similarity between the two marks and between their components, but also consider the distinctiveness and popularity of the marks...*".

⁷ In the 2011 *Opinions*, article 19, *in fine*, provided that: "*If both the trademarks concerned have a reputation, or if their co-existence has been formed under special circumstances, the similarity should be determined by considering comprehensively the situation and the history of the use of the trademarks, the perception of the relevant public, and the subjective attitude of the users etc. the Court should take into consideration, objectively, the respective market positions established by the operators, so as to allow the development of both and avoid that the similarity of the trademarks be decided only on the similarity of the trademarks' elements*".

Finally, in the latest Provisions of December 12, 2016, the SPC provided clear recommendations on how to assess the likelihood of confusion and or dilution between two conflicting trademarks (see above). No more reference is made to the reputation of the defending trademark, and it can logically be deduced that the "inclusive development theory" of 2010 and 2011 is abandoned, even though no express mention of this can be found in the 2017 Opinion.

The SPC jurisprudence, however, does not seem to be quite stabilized. In a recent case "*LensCrafter v. Liang Shi Dian*" (September 26, 2016) the SPC ruled in favor of the defendant, citing its Opinion of April 2010, which contained the basis of the inclusive development theory.

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Paul RANJARD is an active speaker at academic seminars and international conferences. He is the co-author of "*Roadmap for the protection of trademarks in China*", co-drafted in 2003 with Mr. BAI Gang and Dr. HUANG Hui, and more recently, co-authored two more books with these gentlemen, "*Actions Speak Louder than Words*" (Managing Intellectual Property / China IP Focus 2007) and "*Relative Grounds of Refusal in China & EU*" (MIP / China IP Focus 2008).

In 2013, Paul RANJARD was elected member of the China Trademark Office Subcommittee of the Trademark Office Practices Committee (TOPC) of the International Trademark Association (INTA) for the 2014/15 term.