

Provisions of the Supreme Court of PRC on trial of administrative cases (draft)

By Xiang Gao, Peksung Intellectual Property Ltd., China

On October 15, 2014, the Supreme Court of PRC published “Provisions of the Supreme Court of PRC on several issues concerning the trial of administrative cases about granting and determination of trademark right (draft for comments)” (hereinafter “the Draft”) for one month long public comments .

There has been a substantial increase in the number of this type of case. In order to clarify and unify the hearing standard, the Supreme Court of PRC, on the basis of deep research and seeking advice from other sources, made the Draft. The articles are translated as follows:

Article 1 [Types of Administrative Cases concerning Granting and Determination of Trademark Right]

The term “administrative cases concerning granting and determination of trademark right” mentioned in these Provisions refers to the lawsuits filed before the People’s Court by counterparts or parties with an interest who are dissatisfied with decisions made by the Trademark Review and Adjudication Board (TRAB) on review of trademark rejection, review of disapproval for trademark registration, review of trademark cancelation, declaration of trademark invalidation, and review of declaration of trademark invalidation.

Article 2 [Scope of Hearing]

The scope of hearing of the People’s Court regarding the legitimacy of a specific administrative act in relation to granting and determination of trademark right shall generally be determined according to the litigation claims and grounds raised by the relevant parties. As for the facts and grounds already claimed during the review and adjudication process before the TRAB but not claimed during the litigation before the People’s Court, if the TRAB made obvious errors in its determination, the People’s Court may make a decision against the erroneous acts after it hears comments from the relevant parties.

Article 3 [Large Scale Trademark Squatting]

If a trademark registrant obviously lacks true intention to use a trademark, extensively registers another party’s trademarks which have gained certain fame or trademarks identical with or similar to geographic names which have gained certain fame, files applications for registration of lots of trademarks without justified reasons, or the TRAB applies Article 4 and Article 44 of *the Chinese Trademark Law* to disapprove the registration or declare invalidation of the registration, such a decision shall be upheld by the People’s Court.

Article 4 [Concerning Article 10(1) of *the Chinese Trademark Law*]

The provision of “those identical with or similar to the country name of the People’s Republic of China” prescribed by Article 10(1) of *the Chinese Trademark Law* means the trademark in its entirety is identical with or similar to the country name.

As for a sign containing the country name of the People’s Republic of China but in its entirety not identical with or similar to the country name, if the registration of such a sign as a trademark is likely to cause abuse of the country name, the People’s Court may deem it as the circumstance prescribed under Article 10(1) of *the Chinese Trademark Law*.

Article 5 [Other Detrimental Influences]

The term “other detrimental influences” prescribed under Article 10(8) of *the Chinese Trademark Law* refers to passive or negative influences that a trademark or its constituent element is likely to cause in respect of politics, economics, cultures, religions, ethnic groups and other social public interests and public orders of China.

If the TRAB disapproves the registration in the procedure of the rejection review, holding that the trademark application for registration of a public figure’s name and etc. is filed without authorization and it thus likely causes other detrimental influences, such TRAB decision shall be upheld by the People’s Court.

If the name of a deceased natural person is applied to be registered as a trademark without authorization from his or her successors, misleading the public to associate the goods bearing such a trademark with the said deceased natural person, it may be deemed as “other detrimental influences” prescribed under Article 10(8) of *the Chinese Trademark Law*.

Article 6 [Distinctiveness of Three-Dimensional Trademark]

If the shape or the partial shape of the goods is applied for the three-dimensional trademark, the distinctiveness of the three-dimensional trademark shall be comprehensively determined in accordance with general knowledge of the relevant public.

If the trademark applicant provides evidence proving that, through long term use or extensive use, the relevant public has already recognized the said sign as a sign of identifying the origin of the goods; such a sign may be deemed as distinctive.

The creation with originality or the first use of the three-dimensional sign by the trademark applicant may be deemed as one factor for consideration for distinctiveness.

(Second Opinion:

If the shape or the partial shape of the goods is applied for the three-dimensional trademark, the said trademark shall not be deemed as distinctive, as the relevant public under general situations is unlikely to recognize it as a sign identifying the origin of goods.

The creation with originality or the first use of the shape by the trademark applicant is not necessarily a factor for deeming that said sign has distinctive characteristics as a trademark.

If a sign without distinctive characteristics has gained high fame through use and has become widely known to the relevant public, and subsequently has had the function of identification as a trademark, such a sign shall be deemed as distinctive.)

Article 7 [Unregistered Well-Known Trademark]

If an interested party claims the latter trademark constitutes a copy, imitation, or translation of its unregistered well-known trademark and shall be disapproved for registration or invalidated based on Article 13(2) of *the Chinese Trademark Law*, the People’s Court shall take the comprehensive considerations of the following factors according to the provisions of relevant laws and judicial interpretations, in order to determine the likelihood of confusion:

1. Degree of the similarity between the two trademarks;
2. Degree of the similarity and relatedness of goods designated under both trademarks;
3. Degree of distinctiveness and fame of the prior trademark;
4. Degree of attention from the relevant public.

The subjective intention of the latter trademark applicant and the evidence showing the actual confusion may be deemed as reference factors to determine the likelihood of confusion.

Article 8 [Registered Well-Known Trademark]

If an interested party claims that a latter trademark constitutes a copy, imitation or translation of its registered well-known trademark and shall be disapproved for registration or invalidated under Article 13(3) of *the Chinese Trademark Law*, the People's Court shall take comprehensive considerations of the following factors according to the provisions of relevant laws and judicial interpretations, in order to determine the likelihood of misleading the public and damaging the interests of the well-known trademark registrant:

1. Degree of fame of the prior trademark;
2. Degree of distinctiveness of the prior trademark;
3. Whether the latter trademark is sufficiently similar to the prior trademark;
4. Goods on which the two trademarks are used;
5. Degree of recognition of the relevant public of the latter trademark towards the prior trademark;
6. Signs used by other market entities which are similar to the prior trademark.

Article 9 [Conversion of Law Application between Article 13 and Article 30 of *the Chinese Trademark Law*]

If an interested party claims the latter trademark constitutes a copy, imitation or translation of its registered well-known trademark and shall be disapproved for registration or invalidated, and the TRAB holds that the latter trademark is identical with or similar to the prior trademark on identical or similar goods, and subsequently makes the decisions under Article 30 of *the Chinese Trademark Law*, and if the latter trademark has been registered for no more than five years, the People's Court may adjudicate the case under Article 30 thereof after hearing the statement from the relevant parties.

If both the latter trademark and the prior trademark are registered on identical or similar goods, and if the relevant party claims the application of Article 13(3) of *the Chinese Trademark Law* on the ground that Article 30 is insufficient to protect his interests, the People's Court may apply either Article 13 or Article 30 according to the situations of the case.

(Second Opinion- Combining the former two paragraphs as follows:

If both the latter trademark and the prior trademark are registered on identical or similar goods, while the relevant party claims right under Article 13(3) of *the Chinese Trademark Law*, and if the latter trademark has been registered for no more than five years, the People's Court may adjudicate the case under Article 30 thereof; whereas the latter trademark has been registered for more than five years, the People's Court may adjudicate the case by applying Article 13(3))

Article 10 [Sequence of Application Requirements for Article 13 of *the Chinese Trademark Law*]

If the People's Court applies Article 13(2) or Article 13(3) of *the Chinese Trademark Law*, the well-known status of the trademark seeking protection shall first be determined; under the circumstance that such well-known status may be determined, then it may be further determined on whether the disputed trademark constitutes a copy, imitation, or translation of the well-known trademark, and whether the disputed trademark is likely to cause confusion or mislead the public and thus potentially damages the interests of the well-known trademark owner.

(Second opinion: Delete this Article)

Article 11 [Squatting by Agents or Persons with Specific Relationship]

If a trademark applicant has specific identification relationship or other specific relationship to the agent or representative as prescribed under Article 15(1) of *the Chinese Trademark Law*, and it may be presumed that said trademark application is a collusion or conspiracy with the said agent or representative, the People's Court shall adjudicate the case under Article 15(1).

(Second Opinion:

If a trademark applicant has specific identification relationship or other specific relationship to the agent or representative as prescribed under Article 15(1) of *the Chinese Trademark Law*, and it may be presumed that such trademark applicant had awareness of the existence of the said agent or representative, the People's Court shall adjudicate the case under Article 15(2))

Article 12 [“Other Relationship” under Article 15(2) of the Chinese Trademark Law]

The following circumstances shall be deemed as “other relationship” prescribed under Article 15(2) of *the Chinese Trademark Law*:

1. The trademark applicant and the prior user of the trademark are located in the same geographic region and the same industry, and the trademark of the prior user has relatively strong distinctiveness;
2. The two parties have ever negotiated to form an agency or representative relationship but failed to reach an agreement;
3. The trademark applicant applied to register multiple trademarks of the prior user.

Article 13 [Geographic Sign]

If a rights holder of a geographic sign claims the other party's trademark shall be disapproved for registration or invalidated under Article 16 of *the Chinese Trademark Law*, and if the goods designated under the disputed trademark are not identical with the products under geographic sign, such rights holder shall be obligated to prove that use of the geographic sign on the specific products will easily cause the relevant public to mistakenly believe said products originate from said region of the geographic sign and accordingly possesses the specific quality, reputation or other characteristics.

If the geographic sign has obtained registration as a collective trademark or certification trademark, the relevant rights holder may claim its rights by choosing either said Article 16 or Articles 13, 30, etc.

(Second Opinion for Paragraph 2:

If an interested party claims a geographic sign, certification trademark or collective trademark filed by the other party violates Article 13(3) or Article 30 of *the Chinese Trademark Law*, based on his regular prior trademark registration other than the geographic sign, certification trademark or collective trademark, and requests the disapproval for registration or invalidation, such request shall not be supported. If an interested party claims a regular trademark application other than the geographic sign, certification trademark or collective trademark filed by the other party violates Article 13(3) or Article 30 thereof, based on his geographic sign, certification trademark or collective trademark, and requests the disapproval for registration or invalidation, such request shall not be supported.)

Article 14 [Prior Copyright]

If an interested party claims to enjoy prior copyright on the sign of the disputed trademark and claims that the application of such disputed trademark infringes upon his prior right, such a party shall be obligated to provide evidence proving he is the copyright owner or evidence of other interested party to claim the copyright.

Trademark publication, trademark registration certificate, etc. may serve as preliminary evidence to ascertain the copyright owner or the interested party. If the applicant of the disputed trademark raises opposition and challenge, such applicant shall be obligated to provide counter evidence to support his opposition and challenge.

The People's Court shall adjudicate, by applying the relevant provisions of *the Chinese Copyright Law*, whether the prior right claimed by the relevant party constitutes as a work, and whether the application of the disputed trademark constitutes copyright infringement.

(Second Opinion:

If the relevant party claims the disputed trademark infringes upon his prior copyright, the People's Court shall adjudicate whether the sign constitutes a work, whether such interested party is the copyright owner or other interested party is entitled to claiming the copyright, and whether the disputed trademark constitutes copyright infringement, in accordance with relevant provisions of *the Chinese Copyright Law* and other laws.

A separate trademark registration certificate, trademark gazette, or a separate copyright registration certificate acquired during or after the trademark review and adjudication procedure shall not be used alone to prove the copyright ownership, but may serve as preliminary evidence of the copyright ownership on the work if it is in combination with other related evidence.)

Article 15 [Prior Name Right]

If an interested party claims that the disputed trademark infringes upon his or her name right, and if the relevant public believes the said name refers to the said natural person, and the relevant public tends to believe that the goods marked with said name are licensed by or have other specific associations with the natural person, the People's Court may deem that said disputed trademark infringes upon the name right of the said natural person.

Article 16 [Prior Trade Name Right]

If the trade name claimed by an interested party has certain fame, the other party apply without authorization to register the trademark identical with or similar to said prior trade name of the said interested party in respect of goods identical with or similar to those said interested party, easily causing confusion among the relevant public as to the origin of the goods, and if the said interested party claims the prior right prescribed under Article 32 of *the Chinese Trademark Law*, it shall be upheld by the People's Court.

Article 17 [Character Image and Character Name in a Work]

If an interested party claims that the disputed trademark infringes upon his copyright of the character image in violation of Article 32 of *the Chinese Trademark Law*, the People's Court shall adjudicate whether such character image constitutes a work in line with meanings of *the Chinese Copyright Law*.

If the name of a work and character name in a work etc. do not constitute a work, but they enjoy relatively high fame and the use thereof on the goods of relevant Classes tends to mislead the relevant public to mistakenly believe they are licensed by or have other specific associations with the rights holder of the work, and if the said interested party claims its prior right under Article 32 of *the Chinese Trademark Law*, it shall be upheld by the People's Court.

Article 18 [Determination of Bad Faith in Squatting by Unfair Means]

If an interested party claims that the trademark applicant squats by unfair means the trademark with prior use and certain influence, the People's Court shall determine whether it constitutes the unfair means, by considering whether the trademark applicant knew or should have known said trademark with prior use and certain influence, and whether the trademark applicant has the bad faith to invade the goodwill of the trademark owned by other parties.

Generally, if a trademark with prior use enjoys certain influence, while the trademark applicant knew or should have known such trademark, it may be presumed that such trademark applicant has the bad faith. The factors such as the trademark with prior use has strong distinctiveness or the trademark applicant and the user of prior trademark resides in the same geographic region are helpful in determining the bad faith.

Article 19 [Determination of Bad Faith for Copy, Imitation, and Translation of a Well-Known Trademark]

If the disputed trademark has achieved the well-known trademark status through use before the application date of the disputed trademark, and the applicant of the disputed trademark knew or should have known the above fact, the People's Court may presume that the applicant of the disputed trademark has the bad faith in filing the application for registration of the disputed trademark.

Article 20 [Co-existence Agreement]

If the TRAB decides, based on conflicts with the prior cited trademark, to reject a trademark application for registration, to disapprove a trademark application for registration, or to declare invalidation of a registered trademark, and if the rights holder of the cited trademark reaches an agreement with the other party to consent the registration of the latter trademark during the litigation procedure, the People's Court may permit such registration.

Article 21 [Violation of Legal Procedure]

If an interested party claims that the following circumstances of the TRAB shall be deemed as "violation of legal procedure" as prescribed under Article 54(2) of *the Chinese Administrative Procedure Law*, the People's Court shall uphold such claim:

1. Omission of important grounds for review raised by the interested party, which may potentially affect the conclusion on substantive right;
2. Failure in informing the interested party of the members of the collegial panel during the review procedure, and upon examination there truly were grounds for avoidance but in fact avoidance did not happen;
3. Failure in notifying the competent interested party to participate in the review procedure, and such interested party expressly raised an opposition;
4. Other serious violations of legal procedure, which may potentially affect the substantive interests of the interested party.

Article 22 [Evidence Submitted during the Litigation]

Generally, evidence not submitted during the administrative procedure but submitted during the litigation shall not be admitted, except the permission from the People's Court. However, evidence satisfying both of the following requirements is an exception:

1. Evidence submitted during the litigation is to further supplement the relevant facts and grounds which have been adjudicated by the TRAB;
2. The supplemental evidence may sufficiently affect the outcome of the substantive right, and there are no other remedies available for the party supplementing the evidence.

Evidence in the preceding paragraph shall be submitted within the time limit of evidence adducing during the first instance proceeding. However, the new evidence submitted by the interested party under the law during the second instance proceeding and retrial proceeding is an exception.

Article 23 [Change of Circumstances]

After the TRAB makes its adjudication to reject a trademark application for registration, to disapprove a trademark application for registration, or to invalidate a registered trademark, and in the process of adjudicating administrative cases involving the granting and determination of trademark right, and if the facts and grounds for such disapproval of registration or declaration of invalidation regarding the disputed trademark cease to exist, the People's Court may, based on the change of circumstances, may revoke the relevant adjudication of the TRAB and order the TRAB to re-make an adjudication based on facts after the change.

Rule 24 [Non Bis Idem]

If the TRAB has made a decision or adjudication on an application for trademark review, no one shall re-file an application for review based on identical facts and grounds.

If the TRAB, during the trademark rejection appeal proceeding, grants the preliminary approval of the trademark application on the ground that the applied trademark is not identical with or similar to the cited trademark in respect of identical or similar goods, the following circumstances shall not be deemed as “an application for review based on identical facts and grounds”:

1. If the registrant of the cited trademark or an interested party files an opposition based on the cited trademark, the Chinese Trademark Office (CTMO) upholds the opposition and the applicant of the opposed trademark requests for review;
2. The holder of the cited trademark, after approval of registration for the applied trademark, requests to declare invalidation of the said trademark registration based on the said cited trademark.

Article 25 [Death or Termination of the Trademark Applicant]

When adjudicating an administrative case of the TRAB review of disapproval for registration, if the other interested party proves that the business license of the opposed applicant has been suspended for more than three years, and the opposed trademark has not been licensed for use, the People’s Court may presume that the opposed applicant has no actual intention to use the trademark and accordingly adjudicate that the opposed trademark shall be disapproved for registration.

(Another Opinion: Delete this Rule)

Article 26 [Direct Change of Legal Basis in Rejection Appeal Cases]

When adjudicating administrative cases of the trademark rejection appeal, if the People’s Court holds that the TRAB has conducted substantive review of the disputed facts and grounds and the facts ascertained are clear, the review procedure is legitimate, the adjudication is correct, but only the application of law is inappropriate, the People’s Court may dismiss the plaintiff’s claim on the basis a direct change of legal basis.

Article 27 [Substantial Hearing]

When adjudicating cases involving granting and determination of trademark right, the People’s Court shall adjudicate all the substantial problems covered by the TRAB adjudication and decision which are dissatisfied by the interested party, and shall deliver the express opinion in the judgment where a determination may be made based on the existing evidence.

Article 28 [Substantial Resolution on the Dispute]

If the People’s Court holds the view through trial that all the grounds for the TRAB invalidation declaration regarding the disputed trademark are invalid and all the grounds for invalidation raised by the petitioner have been adjudicated, and the disputed trademark shall be maintained, the People’s Court may directly revoke the TRAB decision without ordering the TRAB to re-make a decision.

Article 29 [Cycle Litigation]

If an effective judgment of the People’s Court has expressly adjudicated the relevant facts and application of the law, the interested party initiates the litigation against the TRAB decision which are re-rendered based on such effective judgment, the People’s Court shall not accept such litigation in accordance with Rule 44(10) of *the Supreme People’s Court Interpretations on Several Issues concerning Implementation of the Chinese Administrative Procedure*; and the People’s Court shall dismiss such litigation if the case has been accepted.

For more information on patents, please contact:



Xiang Gao
Partner, Head of Trademark Department
Peksung Intellectual Property Ltd.
mail@peksung.com, gxiang@peksung.com
www.peksung.com

Xiang Gao is a partner at Peksung Intellectual Property Ltd and head of its trademarks department. He can be contacted at: gxiang@peksung.com