

These invalidation procedures are limited in both the EU and China by a timeframe of five years. However, there is a significant difference between the two systems. In the EU, the period is viewed as acquiescence or tolerance, which means that the earlier right owner is aware of the use of the subsequent trade mark. Hence, the starting point of the five-year period is not fixed. In China, by contrast, the starting point of the five-year period is fixed on the date of publication of the registra-

tion of the trade mark.

Both in China and the EU, no limit applies in the case of fraud. However, in Article 54 of the Draft, the “no limit” benefits only to the owners of well-known trade marks. This is illogical and contradicts the very essence of the fraud, which “corrupts everything” and should never be allowed to become a source of right.



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Profile:

Wan Hui Da IP Agency operates throughout China with an integrated law firm composed of specialized litigation lawyers who practice in all administrative, criminal and civil proceedings related to intellectual property rights.

We advise many of the world's largest corporations and renowned multinationals in various IPR sectors. We regularly act on complex lawsuits and trademark disputes derived from the administrative proceedings or infringements.

With over 100 attorneys in trademark, patent, copyright and domain name, Wan Hui Da maintains a strong presence in every major Chinese IP jurisdiction, offers a wide range of legal and advisory expertise to its clients, and enforces the slogan “Expertise makes it possible”.

Some of landmark cases that WAN HUI DA processed in the past three years:

> Having the State Administration for Industry and Commerce (SAIC) recognize the well-known status of a foreign client's trademark in China in 2004, the first time SAIC recognized a foreign brand as well-known
> Helping a foreign client register their color combination trademark in China in 2006, which is the first color combination trademark registered by China Trademark Office
> Helping a foreign client have their three-dimension trademark recognized by China Trademark Office as “well-known” in an opposition procedure in 2006
> Helping Chinese courts recognize two trademarks as “well-known” in civil lawsuits in the years 2005 and 2006 respectively
> Solving conflicts between trademark and trade name through a famous lawsuit in China in 2006
> Cooperating with police to crack down a multinational counterfeiting network, which is listed as one of the “Ten Best Cases” of the “Mountain Eagle 2004” campaign organized by the State Council
> AIC raid and consequent criminal prosecution of a big counterfeiter in Wenzhou City, listed as one of the “SAIC Ten Key Cases in 2005”
> Legal actions against a trademark infringer, listed as one of the “Ten Important Practices” of the State IPR Protection Office in 2006

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RELATIVE GROUNDS OF REFUSAL IN CHINA & EU
WAN HUI DA

Relative grounds of refusal in China & EU

Dr Huang Hui and Paul Ranjard of Wan Hui Da compare the Third Revision of the Trademark Law to recent EU legislation

Both the Paris Convention and the TRIPs agreement permit the refusal or invalidation of a trade mark that is in conflict with an earlier right. These “relative grounds”, are opposed to the “absolute grounds”, which refers to an obstacle inherent to the trade mark itself. What are those “earlier rights”? Earlier than what date? How to resolve such conflicts? These questions arise in all countries.

China is undergoing a third revision of its law so it may be useful to draw a comparison between the Chinese draft and the relatively recent system created by the EU Directive of December 21 1988 and the EU Regulation of 30 December 30 1993. The EU had to harmonize and achieve coherence between several existing legislations. In the future, China might be faced with similar problems.

A comparison between the EU Directive and Regulation and the Draft reveals that, whereas the absolute grounds of refusal are similar, there are some substantial differences about the relative grounds of refusal.

What is a prior right?

A prior right may be another trade mark or sign, registered or just used. It may be a well-known trade mark, or another type of right, such as design or copyright. In addition, “*fraus omnia corrumpit*” which means “bad faith corrupts everything” is an absolute and unlimited obstacle to the existence of a trademark.

Trade marks

A registered or applied trademark

Articles 8.1 and 8.2 of the EU Regulation and Article 29.2 of the Draft are very similar. A trade mark that is identical or similar to an already registered trade mark, and which is designated for use on identical or similar goods as those of the previously registered trade mark, cannot be registered.

A trademark or another sign, not registered, not applied, but simply used in the course of trade

Notwithstanding the generally admitted principle that registration is a source of the exclusive right in a trade mark, there is a legitimate need to protect those who were in good faith using the same or similar sign, before the application of the trade mark.

In the EU the need to combine and harmonize different national legislations implied negotiation and compromise. In particular, the geographical scope of influence or “significance” of earlier signs had to be taken into account. China did not have this need and could establish more strongly the basic principle of “first to file”. However, some of the new measures proposed in the Draft, perhaps inspired by the EU Regulation, are either redundant, or contradict the first to file principle.

The solutions set out by the EU and China can be categorized according to the level of protection – active (fully or partially) or passive – granted to the earlier user.

The earlier user of the sign has the full power to prohibit the registration or use of an identical or similar sign (full exclusivity). The EU Regulation (Article 8.4) sets out two conditions: the “non-registered trademark or other sign used in the course of trade” must be “*of more than mere local significance*”, and “pursuant to the Community legislation or the law of the Member State governing that sign, the sign confers on its proprietor the right to prohibit the use of a subsequent trademark”. The Draft (Article 30.1) also provides for such a possibility, but it is based on whether the subsequent trade mark applicant was “fully aware, or ought to be aware”, of the existence of the non-registered trade mark. This seems to replicate other articles of the law. Indeed, “fully aware” is the perfect example of “bad faith”, and “ought to be aware” is the consequence of being “well-known”. Article 3.2 of the Draft goes even

further. It provides that “trademark users shall be entitled to the interests in the unregistered trademarks which they have previously used in good faith, and be protected by this law.” Such a general statement is inappropriate and unnecessary. It brings the owner of an unregistered trade mark to the same level as the owner of a registered trade mark and contradicts the fundamental principle of first to file.

The earlier user of the sign may only prohibit the use of a subsequent trade mark in the territory where it has an influence (partial exclusivity). The EU Regulation (Article 107.1) provides that the proprietor of an earlier right, which *only applies to a locality*, may oppose the use of a Community trade mark, insofar as the legislation of the member state concerned so permits. The Draft does not consider such a situation. However, the anti-unfair competition law provides that a trade mark should not reproduce the name, packaging or decoration of a known product. Debate is continuing about the extent of this principle.

The earlier user of the sign cannot prohibit the use or registration of a subsequent trade mark, but may continue using the sign (merely defensive). The concept is set out in Articles 6.2 and 9.3 of the EU Directive. The Draft (Article 84), also provides that a “prior good faith user” may continue to use the sign, subject to adopting suitable differentiating means if the owner of the subsequent registered trade mark requests, which is enough to protect the interests of a prior user (without going as far as Article 3.2 mentioned above).

Well-known marks & famous marks

The EU Regulation (Article 8.2) and the Draft (Article 34.1) are similar, and provide for the protection of well-known trade marks against the registration or use of identical or similar trade marks, on identical or similar goods, when there is a likelihood of confusion.

Article 8.5 of the EU regulation brings some precision to the principle laid down by Article 16.3 of TRIPs: (1) The registered trade mark should have a reputation in the community or the member state concerned (which is more than being well-known), and (2) the use “without due cause should take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trademark”. Thus, the EU Regulation goes one step further than TRIPs, and introduces the concept of parasitism, in addition to damage to the reputation.

However, nothing in TRIPs Article 16.3 or EU Regulation Article 8.5 protects a renowned registered trade mark against the likelihood of dilution caused by a subsequent trade mark on identical or similar goods. This loophole in the regulatory system was filled by the European Court of Justice in the *Davidoff and Adidas II* cases. The Draft follows this jurisprudential evolution:

the reference to non-similar goods, present in the current Article 13.2, is deleted in the proposed new Article 34.2. This modification is welcome. Nevertheless, we consider that the Draft could still be improved by making a clear distinction between a “well-known” trade mark (“widely known to the relevant public”), and a “famous (or renowned) trademark” (“a trademark which has a reputation in the public at large or at least beyond the scope of the relevant public concerned”). Again, the Draft creates, in Article 30.2, another redundant category of prior right: a registered trade mark “which already enjoys a certain reputation”, which is bound to generate lots of confusion.

Other prior rights

The EU regulation (Article 52.2) and the Chinese Draft (Article 31) are very similar, both covering proprietary rights such as name, portrait, copyright, industrial property.

Bad faith

In order to establish bad faith, it is necessary to prove that, by filing the trade mark, the applicant knowingly acted with the intention to prevent the owner/user of the same sign from obtaining the protection of such sign as a trade mark.

Bad faith is mentioned in the EU Directive, once as an absolute ground (Article 3.2 d) and once as a relative ground (Article 4.4 g). The EU Regulation (Article 51.1 b) considers bad faith only as an absolute ground, and it can only be used in an invalidation procedure.

The Chinese Draft mentions the principle of good faith in Article 7.2: “The principle of honesty and creditworthiness shall be followed when an application for registration is filed or when a trademark is used”. It can be used in several instances of opposition, or invalidation.

Before what date?

In the EU Regulation (Article 8.2), the date taken into consideration in deciding whether or not a right is “earlier” is the date of filing of the application (or the date of priority, as the case may be). Any evidence of use, reputation or knowledge, acquired after that date is irrelevant. The Trademark Law of China and the Draft are unfortunately silent on this very important issue, which has caused a lot of uncertainty leading to contradictory decisions.

A clarification of and emphasis on the application date is much needed. The application should be followed by a speedy publication, and could be combined with temporary protection, as provided, for example, in Article 9.3 of the EU Regulation.

How to resolve conflicts

According to the stage of progress of the registration procedure, solutions differ. Before the publication of the trade mark application, an examination can be conducted, and even a decision made, on the basis of “relative grounds”. After the publication of the application, third parties may file an opposition, and after the registration, they may still ask for the trade mark to be declared invalid.

Decision ex officio

The EU Regulation provides that OHIM shall conduct a search for possible earlier trade marks, applied on registered, and shall notify the both the applicant and any identified earlier trade mark owner. However, OHIM may not refuse the trade mark ex officio. It is considered that such conflicts are of private nature, and is to be solved through the opposition procedure, at the initiative of the earlier trade mark owner.

The cancellation of the examination ex officio altogether is a drastic change in the Draft (Article 36). Such a change is meant to speed up the registration procedure, but it raises serious concerns as to the possible increase in the number of opposition procedures. The example of EU (search and notification) could be considered, at least for verbal marks, where the search is easier.

Opposition

In the EU Regulation (Article 42), the opposition procedure is only available to the owner of an earlier trade mark, and can be filed within a period of three months starting on the date of publication of the trade mark application. In the Draft (Article 45) the ground for opposition includes bad faith, and the period is extended to four months.

Invalidation

In both the EU Regulation (Article 52.1) and the Draft (Article 52), in all circumstances where an opposition was possible, the earlier trade mark owner may file an application for invalidation, even after the trade mark has been registered. Article 53 of the Draft specifically adds bad faith (and geographical indications) as a ground for invalidation.

Regarding the owners of other prior rights, the EU Regulation (Article 52.2) provides that they can only file an application for invalidation, directly or through a counterclaim. In the Draft the situation of other prior right owners is specific: they need to obtain an effective judgment, and may then “apply to the Trademark Office” for refusal (Article 36.2) of the trade mark application, or invalidation (Article 73.2) of the trade mark.

Huang Hui



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In 1990, Huang started his 12-year service at the State Administration for Industry and Commerce (SAIC) after graduating from China Foreign Affairs University. In 1991 and 1992, he studied at and graduated from the Centre of International Study of Industrial Property (CEIPI), Robert Schuman University in France. From 1997 to 2000, Huang conducted academic research on trade mark law under the instruction of Professor Zheng Chengsi in the Chinese Academy of Social Sciences. He was awarded the degree of doctor-at-law, which made him the first doctor in trade mark law in China. In 2002, he joined Wan Hui Da IP Agency as a senior partner.

Huang has published *Legal Protection of Well-Known and Famous Marks* and translated *Intellectual Property Code (Legislative Part)* of France. He is also the compiler of *WTO TRIPS Agreement Primer*, author of a column on trade marks for *China Intellectual Property Law*, author of *Textbook of Trademark Law*, and executive editor of *China Trademark Report*.

Paul Ranjard



Paul Ranjard is a French lawyer who has been based in China since 1997. He graduated in 1969 from the Paris Law School and joined the Paris Bar in 1972.

In addition to his general practice as a litigator in commercial law, Ranjard progressively developed a China-related practice. In September 1997 he moved to Beijing.

Since that date, Ranjard has devoted most of his time to IP cases, acting on behalf of French companies to help protect their intellectual property, as well as representing French anti-counterfeiting association UNIFAB, and chairing the IPR working group of the European Chamber of Commerce. He is now of counsel to Beijing Wan Hui Da IP Agency.