

Nature of Gifts in Non-Use Cancellation Cases in China

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Pursuant to Article 49.2 of the Chinese Trademark Law, a registered trademark may be cancelled if it has been in non-use status for three consecutive years without justifiable reasons. Pursuant to Rule 5.3.5 of the Trademark Examination and Review Criteria, made by the China National Intellectual Property Administration (CNIPA) in 2016, the guide book for trademark examiners, if a trademark is used on the goods as gift only, such use shall not be regarded as valid use of the registered trademark in the sense of the Trademark Law. In other words, such use evidence cannot resist non-use cancellation.

How is the Rule enforced in practices? I hope to analyze this issue through some cases in this article.

Case 1: Non-use cancellation of the trademark “福音” (“Fuyin in Chinese”), Case No.: Gaoxingzhong No. 2016-761

In the non-use cancellation of the trademark “福音” (“Fuyin in Chinese”), No. 3410839, the registered goods are “Rice paper, manual, greeting card, poster, etc.” A licensee used the trademark on notebooks and donated 180 pieces to a few churches in China. The China National IP Administration (CNIPA) decided to cancel the trademark, but the Beijing IP Court overruled the decision. The CNIPA appealed to the Beijing High People’s Court. One point for the appeal is that the donation of the relevant goods cannot be regarded as valid and commercial use of the trademark.

The Beijing High People’s Court did not support CNIPA’s argument. The Court held that though the notebooks were presented as gifts, as the donation was combined with other commercial activity, the use of the trademark on the

donated goods can be regarded as valid use in the sense of the Trademark Law.

Case 2: Non-use cancellation of the trademark “万和” (“Wan-He in Chinese”), Case No.: Jingxingzhong No. 2016-5665

In the non-use cancellation case of the trademark “万和” (“Wan-He in Chinese”), No. 3342442, the registered goods are “electric toothbrush and multifunctional electric lunch boxes, etc.” The owner purchased electric toothbrush and multifunctional electric lunch boxes from a third party, annexed the trademark to the goods and provided the goods to consumers as gifts. From the packaging of the gifts, it is sufficient for the consumers to recognize the trademark owner as the producer of the gifts. The CNIPA refused the gifts as valid use evidence and decided to cancel the trademark.

The trademark owner appealed to the courts and finally won the case. The final Court held that even if the trademark was used on gifts, it has functioned to identify the source of goods, which can be regarded as valid use of the trademark in the sense of the Trademark Law.

Case 3: Non-use cancellation of the trademark “恒大” (“Heng-Da in Chinese”), Case No.: Jingxingzhong No. 2017-2424

In the non-use cancellation of the trademark “恒大” (“Heng-Da in Chinese”), No. 853410, the registered goods are “souvenirs made of precious metal, etc.” The owner entrusted a third party with the production of 1,000 pieces silver medallions on which the trademark was used. The CNIPA decided to cancel the trademark as the owner of the trademark failed to provide evidence to prove that it sold the silver medallions to consumers, as the medallions were usually offered as gifts, but not sold as commodity. That is, the CNIPA opined that use on gifts is not valid use evidence.

The trademark owner appealed to the courts and finally won the case. The final Court held that whether those goods were provided as gifts or sold as commodity, it is use in business and thus constitutes valid use of the trademark in the sense of the Trademark Law.

From above, we can see that the CNIPA adheres to the Trademark Examination

and Review Criteria and deems the use of a trademark on gifts as invalid, but the Criteria are not binding on the courts.

According to the Chinese legislative hierarchy, the court has no obligation to follow the Trademark Examination and Review Criteria enacted by the CNIPA, not the higher legislative bodies like the People's Congress or the State Council.

In fact, when deciding what use evidence can be accepted as valid to resist non-use cancellation, the courts mainly follow the Trademark Law, the relevant judicial interpretation, and public policy below.

- a) Articles 48 and 49.2 of the Chinese Trademark Law, which respectively provides the definition, namely "use of trademarks shall refer to the use of trademarks on goods, the packaging or containers of goods and the transaction documents of goods, or the use of trademarks for advertising, exhibition and other commercial activities for the purpose of identifying the sources of goods", and the conditions for non-use cancellation, namely "Where a registered trademark ... has not been in use for three consecutive years without justifiable reasons, any entity or individual may apply to the Trademark Office for cancellation of the registered trademark, and the Trademark Office shall make a decision ..."
- b) Provisions of the Supreme People's Court on Several Issues Concerning the Trial of Administrative Cases on Granting and Affirming Trademark-Related Rights:

Article 26: The use by trademark owner on its own, use by third parties under authorization and other circumstances of use that are not against the will of the trademark owner, may all be regarded as the use referred to in Article 49.2 of the Trademark Law.

Where there is slight difference between the trademark specimen actually used and the trademark specimen registered, the registered trademark may be deemed as being used as long as the slight difference does not change the distinctiveness of the trademark.

A trademark shall not be deemed as being used under any of the following circumstances: no actual use of the registered trademark except for trademark assignment or license; or, mere publication of trademark

registration information or declaration of the right to exclusive use of the registered trademark.

Where a trademark owner has real intentions to use its trademark and has made necessary preparations for actual use, but has not actually used the registered trademark due to other objective reasons, the competent people's court may deem that the trademark owner has justifiable reasons.

- c) Public Policy: The purpose of the non-use cancellation is to clean up the idle trademarks, activate the registered trademarks and curb trademark hoarding, but not to cancel trademarks which are really in use. Therefore, as long as a registered trademark is openly and truly used in business, and the use is not violating the Trademark Law, the trademark should not be cancelled.

There is no indication in the above provisions that use on gifts should not be regarded use of the registered trademark. Instead, according to the above provisions and policy, any commercial use, which is not against the trademark owner's will and can identify the sources of goods, should be regarded as valid use of the registered trademark.

It seems that the Trademark Examination and Review Criteria, which excludes the use on gift, is a misinterpretation of the Trademark Law. Nevertheless, as the Trademark Examination and Review Criteria are still effective, the CNIPA will continue to abide by the Criteria in practices. Accordingly, it is likely that the use evidence on gifts will continue to not be regarded by the CNIPA as valid use. As a result, the trademark owners should be prepared to receive unfavorable decisions from the CNIPA, but should also be optimistic for a good result in the court proceedings.