

Prior User vs. Trademark Registrant: Current Chinese Practice

It is common assumed that once a trademark has been registered; the mark registrant has obtained an exclusive right to use the mark on particular goods/services which prevents unauthorized use by others. However, the law cannot guarantee this in all circumstances. In this short communication, our attorneys provides insights into in what circumstance, a first-in-time trademark user does retain certain, albeit limited, rights which survive another party's later registration.

The new Trademark Law (the Trademark Law of the People's Republic of China), effective on May 1, 2014, specifies prior user rights defense for the first time. The Section 3 of Article 59 regulates "Where, prior to the application date of the registered trademark, a person has been using a trademark identical with or similar to such registered trademark in respect of the same or similar good, and such use has started before the registrant of the registered trademark and has acquired a certain influence, the holder of the registered trademark has no right to prohibit such person from continuing using his trademark within its previous usage range. However, the holder of the registered trademark may ask such person to properly attach

distinguishable marks".

Under the principle of protecting trademarks by registration in China, the establishment of prior use defense system enhances protection of the unregistered trademarks which have been prior used and acquired a certain influence. The main purpose is to balance conflicts of interests between posterior trademark registrants and prior trademark users, and to protect the users' right of trademarks which have already acquired a certain influence in market but haven't been registered.

Therefore, acquiring "a certain influence" for a trademark is one of the constitutive requirements for prior use defense right. It means that the prior use defense right doesn't apply to all the trademarks prior used out of goodwill, which are identical with or similar to the registered trademark of another person in respect of the same or similar goods/services. Only when a trademark prior used acquires "a certain influence", the user could continue using his trademark within its previous usage range and the use should not be identified as infringement of trademark rights of others.

1. Reasons for taking "a certain influence" as constitutive requirement

There are mainly three reasons for taking “a certain influence” as one of the constitutive requirements for prior use defense right.

a) The essence of the Trademark Law

The essence of the Trademark Law is to protect the existing market credits or to promote formation and development of market credits.¹ As we know, the principle of protecting trademarks by registration is adopted in China, which means that trademark rights arise from registration. This way of protecting trademarks is to promote formation and development of market credits. For unregistered trademarks, to protect their existing market credits is more necessary. Whether a trademark acquires “a certain influence” or not can be used to judge whether its market credits have already formed. For a prior used trademark which influences a relatively smaller area or even has no influence, the corresponding market credits haven’t formed accordingly, and thus there is no significance or need to be protected. Therefore, the limitation of prior used trademarks to acquire “a certain influence” in prior use defense right embodies the essence protected by the Trademark Law, and reduces protection costs to some extent.

b) The exclusivity of trademark rights

According to provisions of Trademark Law, registration of trademarks should be approved by competent authority through strict formal and substantive examination procedures. Besides, the exclusive right to use a registered trademark is limited to the trademark which has been approved for registration and to the goods or services in respect of which the use of the trademark has been approved. It shows that it is very difficult for obtaining trademark rights. On the other hand, trademark right is exclusive. Once a trademark is granted for the exclusive right, others without authorization should not use the trademark that is identical with or similar to the registered trademark in respect of the same or similar goods of the proprietor of the registered trademark. The exclusive right of trademarks is protected by law. Any infringement of exclusive right of registered trademarks should bear the corresponding legal responsibility. From this aspect, the exclusive right of trademarks is superior to the right of prior use on the legal level. Under such background, if the protection of unregistered trademarks which have been prior used is too strong, it will no doubt impact the basic management system of trademarks by registration, which is not beneficial for stability of market orders, and

harmful for rights of trademark registrants and customers.ⁱⁱ

c)The predictability of trademark registrants

The predicting degree of trademark registrants is also the reason for requiring prior used trademarks to acquire “a certain influence” in prior use defense right. When a person applies for registration of a trademark, he is not able to predict all prior used trademarks identical with or similar to the applied mark in related market, or further to avoid such situation. With regard to the identical or similar trademark prior used which hasn’t acquired corresponding market influence or has relatively limited influence, if prior use defense right could be exercised to infringement complaints of the trademark registrant, it will be unfair for trademark registrant and is not good for promotion of healthy competition of market.

2.Facts for determining “a certain influence”

There are mainly three facts to judge whether a prior used trademark acquires “a certain influence”.

a)The territory

The first fact to judge whether a prior used trademark acquires “a certain influence”

is influence area of the trademark. “A certain influence” in prior use defense right is different from that regulated in Article 32 of Trademark Law aiming to combat preemptive registration by others with malice. When a prior used trademark is taken as infringement defense, as it is out of goodwill, the requirement for adducing evidences to prove it acquires “a certain influence” should be milder. The influence area could be limited to a relatively narrower place, such as a city or a town.ⁱⁱⁱIt is in the nature of setting prior right in Trademark Law, which is to protect existing interests and credits of market.^{iv} Meanwhile, it is sufficiently reasonable, because limitations on the use of the prior used trademark afterwards are made. That is to say, the prior used trademark is limited to use within its previous usage range, and distinguishable marks could be asked to attach by the holder of the registered trademark.

b) The public

The second fact to judge whether a prior used trademark acquires “a certain influence” is relevant public of the trademark. Article 8 of Interpretation of the Supreme People’s Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes Arising from Trademarks issued in 2002 regulates “the relevant public mentioned in

Trademark Law refers to customers related to certain goods or services identified by trademarks and other operators who have close relationships with the goods or services aforesaid". Therefore, relevant public aimed in prior use defense right should refer to users, customers and related operators, as well as competitors related to sales and use of goods of the trademark in market of China mainland, or users, customers and related operators, as well as competitors related to providing of services of the trademark in market of China mainland.^v

In addition, the relevant public as target of "a certain influence" refers to customers and related operators involved in circulation of goods in China mainland. As for prior used trademarks in OEM, the goods are not circulated or advertised in mainland market, thus it shall not be regarded as acquiring "a certain influence".

c)The timeframe

Section 3, Article 59 of New Trademark Law clearly regulates time schedule of arising of prior use defense right, namely "prior to the application date of the registered trademark". That is to say, prior

use defense right arises from the use prior to the application date of the registered trademark. The use resulting in effective distinction^{vi} and acquiring "a certain influence" should also be prior to the application date of the registered trademark.

The value of trademarks lies in use. Trademarks possess the function of distinguishing origins of goods and services through use, at the same time, they gain goodwill for enterprises. The setting of prior use defense right of trademarks is to protect interests of prior users and to prevent their rights to lose due to the posterior registered trademarks. The limitation of prior used trademarks to acquire "a certain influence" in generating of prior use defense right accords with the essence protected by Trademark Law and granting system of trademark right, which has a high practical significance and operability. When judging whether a prior used trademark acquires "a certain influence", the facts including influencing area, relevant public and time schedule should be fully considered, so that the constitutive requirements could be accurately grasped.

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- ⁱTamura Yoshiyuki: Overview of Trademark Law II[M]. Tokyo: Koubundou, 2000. 1-2.
ⁱⁱ Yang LI: Interpretation of Intellectual Property Law on Prior Right in Trademark Law [J].
Science of Law 5 (2006): 41-50.
ⁱⁱⁱ Referring to Trademark Law of Japan.
^{iv} Shibuya Tatsuki: Intellectual Property Law III [M]. Tokyo: Yuhikaku, 2005. 290.
^vPulin Huang: On Related Issues of Prior Use Defense in Trademark Infringement Cases [N].
China Industry & Commerce News December 5, 2013.
^{vi}Yiting DAI: Application of Prior Use Defense of Trademarks [N]. China Report Intellectual
Property June 10, 2014.

The newsletter is not intended to constitute legal advice. Special legal advice should be taken before acting on any of the topics addressed here.

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