

Intellectual Property - China

Supreme Court redefines legitimacy as condition of trademark use

Contributed by [Wan Hui Da Law Firm & Intellectual Property Agency](#)

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On December 17 2011 the Supreme Court rejected an application for retrial filed by Castel Frères SAS in a trademark non-use dispute. Its ruling redefined the concept of 'legitimacy' in trademark use and reversed a previous decision on the same issue in another case published in 2008.

Facts

In 2000 Li Daozhi registered the trademark 卡斯特 - which is pronounced 'ka si te' and is usually regarded as the Chinese transliteration of the name 'Castel' - covering wine in Class 33. In 2005 French wine producer Castel Frères SAS applied to the Trademark Office for revocation of the trademark registration on grounds of non-use for three successive years under Article 44(4) of the Trademark Law. In 2006 the Trademark Office decided to revoke the registration. Li appealed to the Trademark Review and Adjudication Board, claiming that he had not received the Trademark Office's notification due to a change of address, and that he had been using the trademark continuously. In the course of the board's review, Li submitted a trademark licence agreement with a company named Ban Ti, as well as value added tax invoices issued by Ban Ti for selling Ka Si Te wine. In 2007 the board overruled the Trademark Office's decision and upheld the registration.

Decisions

Castel appealed to the Beijing Number 1 Intermediate Court on the grounds that Li had not made legitimate use of the trademark. Castel argued that Ban Ti had not:

- obtained the required labelling certification; or
- provided the product permit, import permit or sanitation certificate required by various laws.

Castel therefore claimed that sales of Ka Si Te wine in China should be prohibited. Castel argued that since Ban Ti's use of the trademark was not legitimate, the registration should be revoked.

The court held that such issues were subject to the rules governing the administration of imported products, which were irrelevant to trademark use for the purposes of Article 44(4). The court upheld the board's decision, finding that the trademark had been put to actual use. A consideration of how the trademark had been used (and whether such use was legitimate) was beyond the board's competence - the issue was governed by other laws and administered by other government agencies.

In 2008 Castel appealed to the Beijing Higher Court, which upheld the first instance decision. In 2010 Castel applied to the Supreme Court for a retrial. On December 17 2011 the Supreme Court rejected the appeal,⁽¹⁾ holding that the issue of whether Li and Ban Ti's business had violated the relevant sale and import regulations did not fall within the scope of Article 44(4). It held that:

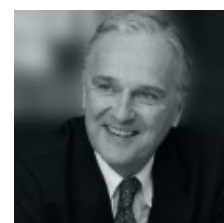
"The legislative purpose of Article 44 (4) of the Trademark Law (revocation of a trademark registration for non-use) is to maintain active trademarks and to get rid of those trademarks that are not active. Revocation of the registration is only the means, not the end in itself. Insofar as the trademark registrant has used its registered trademark publicly and truthfully in the course of trade, and the trademark use itself has not violated the relevant rules provided in the trademark laws, the trademark registrant has satisfied its obligation to use the trademark. Here, it is inappropriate to find that the

Authors

[Shuhua Zhang](#)



[Paul Ranjard](#)



trademark use has violated Article 44(4)."

Comment

This decision contrasts with another well-known Supreme Court ruling on a non-use dispute. In a case involving the trademark KANG WANG, the court decided to revoke the trademark on the grounds that the use of the mark was not legitimate.⁽²⁾ The court, which included the case in its Annual IP Report 2008 as a precedent, held that:

The 'use' as provided in Article 44(4) should be public, truthful and legitimate use of a trademark in the course of trade. According to Article 45 of the Trademark Law, the legal basis for judging whether the trademark use is legitimate is not limited to the Trademark Law and corresponding regulations. For the type of trademark use that is connected to production and business transactions prohibited by laws and regulations, if one affirms the validity of such trademark use, one may encourage and indulge illegitimate activities, and run contrary to the purpose of trademark use as required by the Trademark Law."

The court found that the trademark registrant and its subsidiary could not produce the production and sanitation permits required for the production and sale of cosmetics. It therefore held that the registrant had not used the disputed trademark legitimately during the disputed period, and that the registration should be revoked.

The Trademark Law describes certain situations of "illegitimate use" in which the Trademark Office has the power either to order the registrant to rectify misconduct or to revoke the trademark *ex officio*. These situations include unilateral alteration of the mark, unrecorded change of address and poor-quality products.⁽³⁾

In order to resist an application for revocation on the basis of non-use under Article 44 (4), the trademark registrant must present evidence of use, which must be public and truthful. *Kang Wang* thus added a condition - that of legitimacy - by making reference to other laws and regulations that are unrelated to the Trademark Law. This considerably broadened the requirements imposed on trademark owners, which were exposed to attacks based on requirements other than that of using a trademark publicly and truthfully.

In *Castel* the Supreme Court has clearly redefined the requirements: use of a trademark must be understood only in the context defined by the Trademark Law, not by the criteria of other laws and regulations.

For further information on this topic please contact Zhang Shuhua or Paul Ranjard at Wan Hui Da Law Firm & Intellectual Property Agency by telephone (+86 10 6892 1000), fax (+86 10 6894 8030) or email (zhangshuhua@wanhuida.com or ranjard@wanhuida.com).

Endnotes

(1) 2010, Zhi Xing Zi 55.

(2) 2007, Xing Jian Zi 184-1.

(3) Articles 44(1), (2) and (3) and Article 45.

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