

61

Changzhou Chenglian Power Source Manufacturing Co., Ltd. v. Trademark Review and Adjudication Board et al.

Citation: The Supreme People's Court's Notice No. Xingjianzi 118-1/2006

Date of issuance: September 24, 2008

Procedural history

Dissatisfied with the Trademark Review and Adjudication Board's (TRAB) decision on cancellation of the "Chenglian and the device" mark, the Changzhou Chenglian Power Source Manufacturing Co., Ltd. (Chenglian) brought an administrative action in the Beijing No. 1 Intermediated People's Court against the TRAB as the defendant and the Changzhou City Chuanglian Power Source Co., Ltd. (Chuanglian) as the third party. The first-instance court decided to have reversed the TRAB's decision. Chuanglian appealed to the Beijing Higher People's Court. The second-instance court reversed the first-instance judgment, and upheld the TRAB's decision. Chenglian requested the Supreme People's Court for trial of the case.

Issue

1. Whether new evidence not adduced in the administrative suit was acceptable for ascertainment of the facts in the trademark administrative litigation?
2. Impact of undue application of law on the validity of an administrative decision on trademark

Facts

Chenglian, a business incorporated on September 18, 2001, filed an application for registration of its "Chenglian and the device" mark (the mark in suit) with the Trademark Office on September

29 of the same year to be used in goods in class 9, such as switches, and the mark in suit was approved for registration on February 14, 2003.

Chuanglian, an enterprise incorporated in March 2000 and engaged in developing and manufacturing power source switches, printed and made the trademark representations identical with the device of the mark in suit in April, 2000, and used the mark in the specifications of its products.

Zang Qizhun, President of Chenglian, was former marketing manager of Chuanglian, and his wife, former shareholder of Chuanglian.

Chuanglian requested the TRAB to cancel the mark in suit, alleging that the registration thereof was contrary to Articles 31 and 41, paragraph one, of the Trademark Law, and Chenglian's registration of the mark in suit was an act of preemptive registration in bad faith. Chenglian argued that Zang Qizhun was the prior user of the device of the mark in suit, and it presented its testimony in writing, showing that, before March 2000, it bought from Zang Qizhun the switches bearing the "Lianchuang and the device" representation similar to the device of the mark in suit.

The TRAB made the adjudication, holding that given that neither Chuanglian nor Chenglian was set up before March 2000, the above-mentioned written testimony did not prove the lawful use of the device of the mark in suit. The TRAB decided that Chuanglian had used the device of the mark in suit first, and Chenglian's registration of the mark in suit constituted a "registration of a trademark acquired by... any other unfair means" as mentioned in Article 41, paragraph one, of the Trademark Law, and made the adjudication to have cancelled the mark in suit.

The first-instance court made the judgment to have reversed the TRAB's adjudication on the ground that the TRAB's establishment of Chuanglian's prior use of the device of the mark in suit was not based on sufficient evidence.

The new evidence Chuanglian presented in the second-instance hearing was accepted, and the court decided, in the second-instance judgment, to have reversed the first-instance judgment, and upheld the TRAB's adjudication.

Chenglian requested for retrial, arguing that the second-instance court erred in its ascertainment of the facts, in its acceptance of the new evidence the interested party adduced in the second-instance trial, and in its application of Article 41, paragraph one, of the Trademark Law in making the judgment in the present case.

Rule of law

Article 31 of the Trademark Law *No trademark application shall infringe another party's existing prior rights. Nor shall an applicant register in an unfair means a mark that is already in use by another party and has certain influence.*

Article 41 of the Trademark Law *Where a registered trademark stands in violation of the provisions of Articles 10, 11 and 12 of this Law, or the registration of a trademark was acquired by fraud or any other unfair means, the Trademark Office shall cancel the registered trademark in question; and any other organization or individual may request the Trademark Review and Adjudication Board to make an adjudication to cancel such a registered trademark.*

Where a registered trademark stands in violation of the provisions of Articles 13, 15, 16 and 31 of this Law, the owner of the mark or any interested party may, within five years from the date of registration, request the Trademark Review and Adjudication Board to make an adjudication to cancel such a registered trademark. Where a registration was obtained in bad faith, the owner of a well-known trademark shall not be subject to the five-year limitation of action.

In addition to those cases as provided in the preceding two paragraphs, a prior registrant disputing a registered trademark may, within five years from the date of the approval of the trademark registration, apply to the Trademark Review and Adjudication Board for adjudication.

The Trademark Review and Adjudication Board shall, after receipt of the application for adjudication, notify the parties concerned and request them to respond with arguments within a specified period.

Reasoning

1. Concerning ascertainment of the facts and acceptance of the new evidence

The written testimony Chenglian adduced could only show the possible existence of the similar device before Chuanglian's incorporation, not Zang Qizhun's prior use of the device of the mark in suit. Zang Qizhun did not continuously use the device to distinguish goods, so his use of the nature could not generate the trademark right. Zang Qizhun and Chenglian were two different legal parties, and Zang Qizhun's personal use was not Chenglian's use. In the present case was involved the trademark dispute between Chenglian and Chuanglian. It was whether Chuanglian had used the device of the mark in suit before Chenglian filed its application for registration of the mark in suit that was the key fact to be ascertained.

During the TRAB's review and adjudication and the procedure of the first and second instance of the present case, Chuanglian furnished the relevant evidence to show the fact of its prior use of the device of the mark in suit; some of the evidence showed that the "Chuanglian and the device" sign was used in the publicity pamphlets of its products, with visual impression of the device thereof being completely identical with that of the mark in suit. Chuanglian's evidence showed that, in April 2000, it printed and made the trademark and publicity pamphlets. While the "Chuanglian and the device" were not indicated in the evidence, Chenglian did not present any evidence to show that Chuanglian used some other trademark representations than the "Chuanglian and the device" mark. Therefore, it was not undue for the TRAB to have decided on Chuanglian's prior use of the mark in suit on the basis of all the evidence available.

Under the circumstance where the first-instance court made the judgment opposite to the TRAB's adjudication with regard to the issue of evidence and the facts of the case, Chuanglian presented the new evidence during the second-instance hearing to further show that the "Chuanglian and the device" sign had been printed and used before August 2000 at the latest. This was reinforcing evidence, and it was not undue for the second-instance court to have accepted said new reinforcing evidence. It was due for the TRAB and the second-instance court to have established Chuanglian's prior use thereof.

2. Concerning application of law

The circumstance where “a registered trademark stands in violation of the provisions of Articles 10, 11 and 12 of this Law” mentioned in Article 41, paragraph one, of the Trademark Law was parallel to the circumstance where “the registration of a trademark was acquired by fraud or any other unfair means”, and referred to the absolute cause of cancellation of registration of a mark. Since these acts of registration disrupted the public order or prejudiced public interests, or did harm to the order of administration of trademark registration, the Chinese Trademark Office could directly cancel the trademark registration *ex officio*, and other entity or individual might request the TRAB to adjudicate for cancellation of the registered mark with no time limit provided for. Article 41, paragraph two, of the Trademark Law concerned the relative cause of cancellation of a registration of mark infringing the civil right of a particular rightholder; to show respect for the will of proprietors and urge them to enforce their rights in a timely manner, were adopted the doctrine of no trial without complaint and provided for the five-year-limitation of action (cancellation of a well-known mark preemptively registered in bad faith was not subject to the limitation of action). Besides, only the trademark proprietors and interested parties were entitled to request cancellation. In the dispute over a registered mark involving a prior right, Article 41, paragraphs two and three, of the Trademark Law should apply. It was somewhat undue for the TRAB and the court to have applied paragraph one of Article 41 in the adjudication and the judgment. In the present case, Articles 31 and 41, paragraph two, of the Trademark Law should apply.

However, in the present case, one of the grounds on which Chuanglian requested for the cancellation of the mark in suit was Article 31 of the Trademark Law, and Chuanglian presented the evidence showing its prior use and the certain influence of the mark. In its statement of defense made in the course of the adjudication before TRAB, Chenglian admitted that Chuanglian was going well with its business operation, and raised no objection to Chuanglian’s volume of sales. Considering that Zang Qizhun, one of the investors of Chuanglian, and still a senior manager when Chenglian was set up and preemptively registered Chuanglian’s earlier used mark, set up a corporation of the same business and preemptively registered, in the goods of the same class, the mark and the device thereof Chuanglian was using while knowing that Chuanglian was using the device of the mark in suit, Chenglian’s obvious unfair registration of the mark in suit could be deter-

mined. According to the specific circumstances of the present case, it should be decided that Chuanglian's earlier used mark had certain influence, and the mark in suit be cancelled under Articles 31 and 41, paragraph two, of the Trademark Law.

Holding

1. According to all the evidence available, it could be determined that Chuanglian had first used the device of the mark in suit; when the first-instance court made the opposite judgment on the issue of evidence and the facts of the case, it was not undue for the second-instance court to have accepted Chuanglian's new reinforcing evidence.

2. It was somewhat undue to have applied Article 41, paragraph one, of the Trademark Law in the TRAB's adjudication and the Court's final judgment on the case; Articles 31 and 41 paragraph two, of the Trademark Law should apply to the present case. While it was somewhat undue in the application of law in the TRAB's adjudication on the cancellation of the mark in suit and the court's final judgment, the decision was a right one, and no rectification was required by initiating the adjudication supervision procedure. Therefore, Chenglian's request for retrial was rejected.