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Trademark use on promotional gifts in China

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In business, many companies offer complimentary gifts to promote sales. As the gifts sometimes carry trademarks, companies should be aware whether such use of the trademarks constitutes trademark use in the sense of trademark law which may possibly constitute infringement or be considered valid use to resist non-use cancellation. In this article, I hope to clarify these two issues or the current leading opinions in China.

1. Trademark infringement officially confirmed

a) Legal basis

According to Article 57 of the Trademark Law, the use of a trademark identical or similar to others' registered trademark on identical or similar goods shall be regarded as trademark infringement. This has been reaffirmed and further specified by the China National Intellectual Property Administration (CNIPA) in Rule 26 of The Trademark Infringement Determining Criteria of June 15, 2020, the Beijing High People's Court in its Answers to Some Questions about Hearing Trademark Civil Dispute Cases of March 7, 2006, and the former State Administration for Industry and Commerce in its Reply Opinions on the Issues Related to Gifts Suspected Of Infringing the Exclusive Right to Use a Registered Trademark of December 17, 2013.

All these relevant laws and regulations have explicitly stipulated that the aforesaid gifts shall be regarded as trademark infringement.

b) Official application of the law and regulations in practice

In practice, defendants often stress that the gifts are offered for free and therefore no profit has been gained from them. However, such defence is usually not supported by the Court or the Administrations for Market Regulation (AMRs, the trademark enforcing departments).

For example, in the civil lawsuit No. (2020) LuMinZhong 741 between the appellant Dongming Yellow River Pearl Jinqiao Gas Station and the appellee Hebei Nalixin Washing Chemical Co, the Court ultimately ruled that the appellant's provision of washing powders as gifts bearing the said mark had infringed on the appellee's mark and particularly pointed out that the act of **providing gifts is an integral part of sales promotion**. In another effective ruling No. (2021) Jing 73 MinZhong 3989, the Court refuted the manufacturer's and seller's similar defence and pointed out that **gaining profit is not the constitutive element for infringement**. Even though the suspected infringing goods are circulated as gifts, it may cause confusion and misunderstanding to the relevant public and damage the mark owner's right.

In administrative complaints, the AMRs hold the same opinions.

2. Valid or not as evidence to resist non-use cancellation

According to Article 49.2 of the Trademark Law, a registered trademark may be cancelled if it is in non-use status for three consecutive years after registration. The CNIPA and the courts have different views on the validity of complimentary gifts in non-use cancellation cases.

a) CNIPA's attitudes

In the CNIPA's Trademark Examination and Review Standard of 2016, it explicitly stipulated that the use of a mark on gifts shall not be regarded as trademark use in the sense of the Trademark Law. However, in the Trademark Examination Guidelines, effective as from January 1, 2022, the CNIPA deleted the above-mentioned scenario.

The change means that trademark use on gifts would be examined case by case. Like use evidence on other regular goods or services, **if the gifts are openly used in business or can distinguish the sources of goods or services, the use should be regarded as valid** in the sense of the law and could keep the registration valid against cancellation.

Before January 1, 2022, the CNIPA normally considered the use on gifts neither effective nor commercial use (e.g., Appeal Decision No. [2020] 0000242852 on the mark 'Mini Sol' No. 10667289 in class 24). In one word, such use could not resist non-use cancellation. Where there are other types of evidence, the CNIPA avoided solely commenting on the use on gifts.

Since the new Trademark Examination Guidelines came into force on January 1, 2022, the CNIPA has not yet made many decisions on non-use cancellation.

After reviewing the appeal decisions available, I have noted that the CNIPA has basically not changed its attitude, but there was a minor change in the Appeal Decision No. [2022] 0000011830. The reason that the CNIPA refused the evidence is that the applicant failed to submit evidence to prove that the gifts have entered circulation. That means, if there is additional evidence to prove that the gifts enter circulation, the CNIPA might accept the evidence.

b) Courts' attitudes

Unlike the CNIPA, the courts opine that providing gifts is a commercial act and the mark use on gifts can also distinguish the sources of goods. For example, in the second-instance lawsuit concerning the cancellation appeal of the mark “万和” No. 3342442 in class 21, the CNIPA considered the use as invalid in the sense of trademark law. In the two instances of lawsuits, both the Beijing IP Court and the Beijing High People's Court overruled the CNIPA's decision and finally considered the evidence valid.

The courts indeed refused to recognise the gifts evidence as effective in some cases, but the reasons are usually that the evidence failed to indicate the five elements—trademark, goods or services, location (mainland China), date, user's information (owner or licensee), or that the gifts have not entered commercial circulation and so on.

3. Conclusion

The courts have consensus on use of marks on gifts in infringement and cancellation cases, namely valid use and infringement. Although the CNIPA currently holds different opinions on trademark use on gifts in cancellation cases, the courts' final rulings and the new guidelines might help the CNIPA become consistent with the courts. For the relevant parties, they will regretfully have to pursue the cases until lawsuits.