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Updates, Information and Advice on Non-Use Cancellation of Chinese Trademarks

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In China, a cost-effective way to overcome citation or avoid infringement is by filing three-year non-use cancellation against an obstructive mark.

Since 2022, the China National Intellectual Property Administration (CNIPA) has required initial search evidence to support a non-use cancellation, but only some online search evidence will suffice. The burden of proof is primarily borne by the trademark holder. As such cases increase quickly, the holders suffer much from the heavy burden.

I would like to introduce some important issues relating to non-use cancellation with pragmatic advice.

The evidence, such as purchase agreement or order, commercial invoice, bank receipt, packing list, bill of lading, customs declaration, certificate of origin etc., should form a complete evidence chain to reflect the five elements—trademark, date, registrant or licensee, approved goods, and location in China's mainland.

Identical and similar goods

The CNIPA used to adopt loose examination criteria for non-use cancellation and usually maintained the mark on all the approved goods or services, including the dissimilar, even if the evidence supports part of the goods or services. At present, the CNIPA tends to maintain a mark only on the identical and similar goods and cancel the dissimilar, which is consistent with the appeal and lawsuit proceedings.

However, trademark registrants must use the mark in the approved scope. If the registrant uses the mark only on the similar goods or services beyond the approved scope, the use will be considered ineffective and the mark might be cancelled on all the approved goods.

In the cancellation appeal decision No. [2023] 0000230196, the CNIPA decided to cancel the mark “God View”, No. 21162848, on all the approved goods because the registrant only provided evidence of use on the goods “smart display glasses, etc”, which are similar to the approved goods, “portable computer, etc.”, but beyond the approved scope.

The above practice has been confirmed by the Beijing High People's Court in its Guidelines for the Trial of Trademark Right Granting and Verification Cases (2019) and the CNIPA in its Trademark Examination Guidelines (2022) [hereinafter referred to as “two Guidelines”].

Evidence of OEM use

Although original equipment manufacturing (OEM) use is a controversial issue in trademark infringement cases, it is quite certain that in non-use cancellation cases, evidence of OEM use is effective to resist cancellation.

This point has also been confirmed in the aforesaid two Guidelines, where it is stated that pure export without circulation in China may be deemed as use of the approved goods.

Strength of online use evidence

The Trademark Examination Guidelines (2022) provides that: “The following evidence alone shall not be regarded as trademark use in the sense of the Trademark Law: 3) material evidence, audio-visual materials, website information, etc., where it is difficult to identify whether modification has been made.”

In the cases of non-use cancellation and the subsequent appeal and lawsuit proceedings, the CNIPA and the courts usually refuse to accept online evidence mainly because the authenticity of the website evidence cannot be verified without notarization, and that there are no order transaction records and other supportive evidence.

However, in the cancellation appeal decision No. [2023] 0000277660, the CNIPA maintained the mark No. 14570518 in class 42 on all the approved services “providing search engines for the internet, etc.”, even though all the evidence submitted was online evidence.

The reasons for this exception may be that the registrant can only submit screenshots of its website to prove that it actually provided search engines for the internet, and there are online reports from other platforms to support this.

Promotional gifts

Before January 1, 2022, the CNIPA generally refused to consider the use of a mark on gifts as an effective or commercial use, as it expressly stated in the CNIPA's Trademark Examination and Review Standard (2016) that the use of a mark on gifts shall not be regarded as trademark use under the Trademark Law. However, the courts opine that the provision of gifts is a commercial act and that the use of trademarks on gifts may also distinguish the source of goods. Therefore, the courts generally overruled the CNIPA's decisions in this regard.

In its Trademark Examination Guidelines (2022), the CNIPA deleted the above scenario regarding gifts and also changed its opinions in the decisions to be consistent with the court's opinion.

In the cancellation appeal decision No. [2022] 0000327898, the CNIPA maintained the mark "ZuiXianYuanJiu & Chinese characters", No. 19852847, even though the products concerned are provided to consumers as promotional gifts.

In most cases though, the marks are cancelled because registrants fail to prove that the gifts have entered circulation in the market.

How to avoid non-use cancellation

To better resist non-use cancellation, I have the following suggestions for trademark registrants:

1. Use the mark on the approved goods and collect the evidence regularly every three years. If evidence of use on the same approved goods cannot be found, try to file evidence of use on the goods belonging to the subordinate concepts of the approved goods, and explain the inclusive relationship in the argument. In addition, if the mark is only used on the similar goods but is beyond the approved scope, file a new trademark application on the used goods as soon as possible. It can be more difficult to register the mark if the earlier mark is cancelled.
2. For registrants who only do business online, it is very important to have website information, online sales records, etc., notarized periodically. In addition, try to preserve as much other solid evidence as possible, such as manufacturing contracts and invoices.
3. Even if the gifts are provided for promotional purposes, it is still advisable to include information about the gifts in the contracts, invoices, and so on for potential use.