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In its recently delivered judgment (Lin Mingkai v. Fuyun, [2018] ZGFMZ No. 43, Sep 3, 2019), the SPC clarified the condition requirements of the prior use defense (Article 59.3 of the Trademark Law), indicating that the eligible person to make the defense is limited to the prior user itself; the "use" must be prior to the application for registration and the trademark owner's use of the registered trademark; and, for the first time, the SPC makes it clear that geographical scope is a key element to define the "original scope".

Facts:

An individual named LIN Mingkai sued a Furniture Store operated in Chengdu (Chengfu Fuyun Furniture Store) for the infringement of two trademarks respectively applied for registration in respect of furniture in Class 20 on November 19, 2002 (No. 3374814) and September 25, 2009 (No. 7724167).

For its defense, Chengdu Fuyun Furniture Store's claimed that it had been authorized to use the trademarks by a company called Fuyun Company, which had been using the disputed trademarks since 2001. Therefore, Chengdu Fuyun Furniture Store invoked the defense of the prior user, as provided in article 59.3 of the law.

The first-instance court ruled in favor of the plaintiff. It found that, although Fuyun Company's use of the disputed trademark had acquired a certain influence before the registration of LIN's trademarks, evidence did not show that Chengdu Fuyun Furniture Store, the defendant, had itself used the disputed trademark before its registration date. Besides, the authorization that Chengdu Fuyun Furniture Store claimed to have received from Fuyun Company concerned another trademark, registered by Fuyun Company in 2010, in a different class.

The appeal court ruled in favor of the defendant and supported the prior use defense. The court not only confirmed Fuyun Company's right of prior use but also affirmed that Chengdu Fuyun Furniture Store obtained the right to use such trademark from Fuyun Company, together with the right attached to such prior use. Besides, the court found that the disputed trademark was not exactly identical with LIN's registered trademarks and that Chengdu Fuyun Furniture Store was not copying LIN's registered trademarks in bad faith.

SPC Holds:

The Supreme Court reversed the appeal court judgment by denying the prior use defense. It found that the evidence could only prove that Fuyun Company's prior use of the trademark had acquired a certain influence before 2009 but not before 2002 and that whether Chengdu Fuyun Furniture Store had obtained the authorization from Fuyun Company was irrelevant.

The SPC provided clarifications on the conditions required for the prior use defense:

The prior use should be earlier than not only the application for registration of the claimed trademark but also the trademark owner's use of the registered trademark;
The prior use should be of a mark identical with or similar to the registered trademark;
The prior use should be on commodities identical with or similar to those designated by the registered trademark;
The prior use should have acquired a certain influence before the application for registration and the trademark owner's use of the registered trademark;
The prior use defense cannot be raised by any persons other than the prior User, even if the person is

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authorized by the prior User to use that mark;
The prior use should be maintained within the original scope, which should be decided according to the scope defined by the reputation produced by the prior use, including geographical scope, method of use (online or in physical stores), production scale, etc. The Court added that the following behavior could be deemed as exceeding the original scope: (1) opening new stores in places where the influence of the prior use mark does not span, (2) extending the physical business to the online sale via Internet. In addition, the production capacity and operation scale should also be taken into account in deciding “exceeding the original scope”.

Comments:

This is so far the most comprehensive analysis in the SPC decisions regarding the prior use defense provided by Article 59.3. Three key points are clarified:

1) Person eligible for defense
The SPC indicates that only the prior user per se is eligible for the defense. Some other courts have upheld prior use defense raised by the person who is authorized to use the relevant marks by the prior user, e.g. Jiang Yuyou v Fuzi Temple Catering company et. ([2013] SZMZZ No. 37, April 27, 2013, Jiangsu High Court). The SPC's judgment may affect the future judicial practice.

2) Critical date before that the prior use must start
The SPC makes it clear that the sign prior used should have acquired “a certain influence” before the date of application of the trademark registrant, and even before the registrant has, itself, started using its trademark.

This is a different point of view from the judgment of the Beijing IP Court in Zhongchuang v Beijing Qihang ([2015] JZMZZ No.588, Dec 31, 2015) which was selected by the SPC as one of the TOP 10 IP cases in 2015. In this case, the court held that if the "use" of the sign was made prior to the application date of the registered trademark but after the use of such mark by the trademark registrant, the prior use defense could be upheld, as long as such prior "use" was made in good faith.

3）Geographical scope as a factor of the original scope
The SPC catches this chance, for the first time, to mention the geographical factor, among others, to define what is the "original scope". In practice, if the mark in question is a service mark (like a restaurant) it will be easy to refer to the concept of geographical scope. But if the mark is applied to goods, how to control the circulation of such goods, especially in the Internet environment, will still be an open question.

(Wanhuida Partners Du Binbin and Cai Ye also contribute to the article)