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Shuhua Zhang and Paul Ranjard, 18 December 2024, first published by [IAM](#)

In September 2024, the China Trademark Association published a list of landmark trademark cases – administrative and judicial – from 1994 to present. The latest case on this list is an administrative penalty decision made by the Shanghai Administration for Market Regulation (SAMR) on a local car-rental company. The SAMR found that this organisation had replaced the rented cars' original logos with that of Rolls Royce and was advertising them as luxury vehicles to be used for weddings. The administration held that such commercial use constituted trademark infringement as provided by Article 57(7) of the Trademark Law, namely "causing other damage to the registered trademark of others".

Prior to this, commercial use of fake goods (eg, rental of fake goods for profit or installing fake goods in business facilities) had been found occasionally, but trademark owners rarely pursued it legally due to lack of clear guidance as to whether such commercial use would be actionable. There are very few judicial precedents on this issue and academic study of it is scarce. However, case law reveals that a second-instance civil judgment from 2017 discussed this issue in depth (JI MIN ZHONG No 281, 2017). The two courts held very different views on the definition of 'trademark use', which reflects the lack of clarity when it comes to the basic concept of trademark law in China.

Case law highlights conflicting views

In this case, the plaintiff Mr Qiao, a manufacturer of billiards tables under the registered trademark JOY QIAO SHI, discovered that a billiards club was using similar tables marked with the same trademark, which turned out to be fake. Mr Qiao sued the club, claiming trademark infringement.

The case was heard by two courts – first instance and appeal – which reached different conclusions based on their respective interpretations of Article 57 and Article 48 of the Trademark Law.

The first-instance court held that the defendant's use of fake goods did not constitute trademark use as outlined in Article 57. It noted that the Trademark Law is silent about commercial use of counterfeit products – contrary to the Patent Law, which has a specific provision that prohibits such use of infringing products. From this difference, the court held that the legislative bodies must have intended to tolerate such commercial use of fake goods when it came to trademarks and rejected the infringement claim.

However, the second-instance court reversed this decision by referring to the definition of use in Article 48 of the Trademark Law, which includes all "commercial activities" where the purpose is to distinguish the source of the products and/or services. The court found that the defendant using the infringing trademark on its billiard tables was likely to cause confusion as to the source of the products and thus found trademark infringement.

Latest case law follows the same reasoning

On 18 October 2024, the Pudong District Court found in the Shiro motor-fan case that the defendant had used the trademark according to Article 48 (ie, intending to identify the source of the products) and held that such use constituted infringement according to Article 57 of the Trademark Law (HU 0115 MIN CHU No 18077, 2024).

Other decisions have followed the same pattern of reasoning.

According to these decisions, since Article 57 defines infringement as "using a trademark (that is identical...)",

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it is necessary to verify if the accused use actually constitutes trademark use every time. In fact, in relation to a different case involving OEM products manufactured exclusively for export, certain courts still hold that since the goods are not sold in China, the function to identify their source is missing and thus the trademark is not used. Other courts take the opposite view.

Analysing the problem

One way of looking at this issue is to compare Article 57 with its equivalent in the TRIPS Agreement, which defines the rights conferred to the trademark registrant as preventing others from using an identical or similar sign on the same or similar goods “in the course of trade” without the registrant’s consent. Article 16 of the TRIPS Agreement does not refer to use of a trademark but use of a “sign”.

If Article 57 of the Trademark Law could be modified and aligned with the TRIPS Agreement by replacing the word “trademark” with ‘sign’, there would be no more confusion or contradictory decisions. Indeed, if a claim is made that the use of a sign is an act of infringement, the court would have no reason to verify whether such use satisfies the definition of trademark use.

On 22 November 2024, the Nanjing Intermediate Court handed down a decision in a case concerning the logo of NIO, an electric car manufacturer, which was used on barbecues by BSWolf, an outdoor gear vendor (SU 01 MIN CHU No 525, 2024). The court ordered cessation of trademark infringement and awarded damages. This case is a perfect example of a situation in which the defendant’s use of a logo is just decoration and is not intended to identify the product. However, the logo was an infringing sign.

With regard to the registrant’s use of a trademark, these issues may be covered by other parts of the law, such as those concerning the revocation for non-use, where it can be specified what sort of use may be accepted (eg, insignificant modification of the sign or use exclusively for export).