Lili Zhang

Genuine Use of Trade Marks: Criteria and Assessment

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Ulf Maunsbach

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Summary

The obligation to use a registered trade mark stipulated in trade mark law exists almost in every jurisdiction. It states that once a trade mark has been registered, the owner must show within several years that the mark has been put into genuine use in respect of the goods or services for which it has been registered. However, the interpretation of the term ‘genuine use’ is vague and it is unclear when this ‘genuine use’ is truly ‘genuine’. It is particularly crucial to have a concrete definition of this legal concept when disputes are involved. When it comes to one specific trade mark registry and jurisdiction, the criteria and assessment used by different administrative offices and courts may vary, which can make this issue even more controversial.

This thesis begins with an overview of the history of trade mark protection, seeking the roots of the establishments of trade mark rules. The second chapter presents an outline of the development of trade marks’ functions and connects it with the changing of laws and, subsequently, the assessment of the term ‘genuine use’.

Rules and practices in the European Union and China are the main subjects of this study. The current situation in China is particularly analyzed in the third chapter. While criteria such as the use should be ‘commercial’, ‘public’, ‘legitimate’ and ‘genuine’ were specifically settled in the applicable rules, there are generally two different approaches to understanding these criteria: a direct literal interpretation, and an in-depth interpretation that tests the underlying functions a mark was put into play. Although disparate decisions were held by different courts and administrative offices, it could be deduced from the Supreme People’s Court’s opinion that a considerably literal interpretation is predominating. This approach of assessment is not only rigid, and is ineffective to bring the entire regime’s function into play, but also leads to a constrained requirement of ‘legitimate’, which is incompatible with the entire system.
The fourth chapter deals with the situation in the European Union, which is basically the interpretation of ‘genuine use’ in the Trade Mark Directive. Followed by a stream of case law, the assessment of ‘genuine use’ is gradually being shaped out. When this assessment was based on the case-to-case circumstances, the ECJ, OHIM, CFI, and other national courts and offices used subjective or objective approaches respectively. Some principles to assess ‘genuine use’ in the EU, such as to exclude token use and to take all facts and circumstances into consideration are generally accepted and applied. It is still unclear whether the ECJ holds a pure subjective approach, yet the approach is persuasive and prevalent.

After analyzing the practices of the EU and China, the author collects evidence for reaching a general resolution. In addition to the situation where trade marks are undergoing an development in its functions, the study on the justifications of trade mark protection indicates that lower levels of requirements for ‘genuine use’ should be imposed since ‘investment’ somehow equals to ‘use’ from the proprietors’ perspective. Moreover, the author argues that trade marks become more informative, and therefore should be instead regarded as private assets and infinite resource, leading to a less restrictive interpretation of ‘genuine use’.

The author further concludes that both the EU and China should apply a broader interpretation of ‘genuine use’. The current Chinese system is comparatively simple and loose where use is rather easy to be proved by applying ‘literal’ interpretation of ‘genuine use’. However, a broader interpretation does not equal to loss of control. Chinese legislators can learn from the experience of the European Union. In the EU, the ECJ’s subjective approach is reasonable and sound. Following the rationales set forth in the previous chapter, the author argues that excluding token use, which is apparently out of the scope, ‘genuine use’ should be recognized as broadly as any ‘investment’ made.
Abbreviations

CTO China Trade Mark Office
CTMR Community Trade Mark Regulation
CFI Court of First Instance (The General Court)
ECJ European Court of Justice
ECR European Court Reports
OHIM Office of Harmonization for the Internal Market
SAIC State Trade Mark Office (China)
TRIPs The Agreement on Trade-Related Aspects of Intellectual Property Rights
TRAB Trade Mark Review and Adjudication Board (China)
1 Introduction

1.1 Background

The issue of ‘use’ has always been permeating trade mark law. The common law of ‘passing off’ protects traders who have developed reputation and ‘goodwill’ through use of a particular mark. The use of a mark is naturally a preliminary requirement for a passing off action. The trade mark registration comes with a numbers of benefits, one of which is to reduce the difficulties of proving goodwill, which enables a mark to be protected prior to use. However, the registered trade mark law, like a double-edged sword, also brings with it many problems.

For instance, opportunistic stockpiling of good marks arose. Besides, there was no incentive for the proprietor of a registered trade mark to take time to consider whether the mark was put into genuine use or not. This resulted in the proprietors occupying un-used marks, which could potentially cause unfair competition and a waste of social resources. Externality spills over, meaning that an economic impact is imposed on to third parties.\(^1\) Legislations are, therefore, launched to change the behaviours of those individuals who only maximize their surplus from transactions, but ignore the spill-over effect on others or the social utility.\(^2\) By exposing the registered trade mark to the risk of being revoked on the ground of non-use, the law increased the costs to those opportunists. If a mark is unused without proper excuses for a reasonable period of time, it can be removed from the register. This also provides a vehicle for traders other than the proprietor to safely use similar identical marks.

\(^2\) The difference between the price that a consumer is willing to pay and the price he has to pay is called consumer surplus. We hereby simplify the situation into a model of consumer decision and assume that costs and gains of the Trade Mark registration is constant. See also ibid, pp. 1-151.
1.2 Objective

The advantages of setting use requirements for registered trade marks are quite significant; and the most obvious one, of which, is to prevent ‘opportunistic stockpiling’ and ‘neglect’. The TRIPs agreement—the most significant accord, harmonizing and solidifying the global norms in the intellectual property area—requires that countries may no longer put use requirements onto trade mark registrations. However, the obligation of its use is generally required to maintain a trade mark registration in almost all jurisdictions. Yet, the methods to accommodate this obligation into the specific system may be slightly different, illustrating different underlying rationales thereof. The most concrete feature and controversial issue is the interpretation of ‘genuine use’.

The purpose of this research has been, to present, an overview of how the ‘genuine use’ was assessed in the European Union and China, two of the most active economies in the world. With the integration of the world economy, harmonization of the legal foundations are consequently of great importance. As an issue related to social justice and efficiency, the definition of ‘genuine use’ concerns not only the trade mark owners, but also their competitors and consumers.

Therefore, the objective is to present the situation, providing practical guidance for traders in order for an in-depth understanding of the concept of ‘genuine use’. What the basic rules applied are, and to what extent various doctrines have influence are questions to be answered in this paper.

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3 The Agreement on Trade-Related Aspects of Intellectual Property Rights, <www.wto.org/english/docs_e/legal_e/27-trips.pdf>, visited on 29 April, 2010. Article 15(3) of the TRIPs: Members may make registrability depend on use. However, actual use of a Trade Mark shall not be a condition for filing an application for registration. An application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application.
The problems here are there are two different approaches being discussed when analyzing the situation in China. The literal interpretation of the criteria of ‘genuine’, ‘public’, ‘legitimate’ and ‘commercial’ is predominating, where an objective approach is imposed assessing the outcome of the use rather than the intent of the users. The other way is a functioning test which examines the functions the trade mark played in the use. Is the prevailing approach proper and sufficient in China? What are the solutions? In the EU, a comparatively developed system has already been established. However, the approaches the Courts were and to be using is to be analysis. How the subjective approach, which assesses the intent of the users, prevails compared with the objective approach, which requires the outcome of the use to reach certain criteria? Is it a pure subjective approach that the Court of Justice tends to use? Giving answers to these questions, the author furthermore presents possible solutions and suggestions for future legislators or law-executors.

1.3 Method and Material

The method of the research was to analyze the legal acts and relevant case-laws, which were accessed through the Internet. References were also made to relevant journals. When presenting reasoning as to how the concept should be defined according to the author, a historical review and an analysis based on the economic theory were adopted. Relevant information and knowledge were acquired using literature, various articles from journals and Internet resources.

1.4 Delimitations

In order to keep the thesis within prescribed limits, the research was constrained to a study of the situations in China and the European Union. Compared with the EU system, Chinese trade mark law
provides less guidance for the interpretation of ‘genuine use’ in specific cases. The analysis was, therefore, based on limited resources, where only some pertinent cases were presented. In respect of the EU, the systems are more developed and complex. This research correspondingly focused on a study of the central administration, including opinions of the ECJ, CFI, and the OHIM while national legislations were not emphasized. However, the United Kingdom was also mentioned in several occasions.

As controversial as the issue was, it was inevitable that a choice had to be made taking one certain approach when assessing genuine use of a registered trade mark. The author was accordingly arguing one possible solution to reach a consolidated definition of ‘genuine use’, which was obviously far from perfection, bearing its own deficiencies.

Under this topic, apart from the criteria and assessment approaches which were discussed in this thesis, there are other considerably important issues, such as the period and the territory of use, and legitimate non-use exemptions. However, these were not of focus in this thesis, thus, detailed discussion of these issues were not included.
2 Trade Mark: from ‘Ownership Indicator’ to ‘Mythical Status’

2.1 A Brief History of Marks and Trade Marks

The application of marks to goods and services in industrial and commercial markets has quite a long history, which starts from the thirteenth century or even earlier. The history of marks being used could however date back to at least as early as 5000 years before the Common Era, as cave paintings show marks on the flanks of bison that archaeologists presume to be ownership marks.

Already in Roman times it had become common for pottery to be embossed or impressed with a distinguishing mark. From the thirteenth century, merchants’ marks were used in commerce in Britain. In the fourteenth century, gold and silver articles started to be hallmarked. Marks were very commonly used by traders illustrating their trade in the end of the sixteenth century. When it comes to the nineteenth century, marks had already become glorious in details.

Nowadays, any sign, or any combination of signs, distinguishing the products or services from those of others can be eligible for trade mark registration. Not only those typical types of marks such as a name, word, phrase, logo, design, image or a combination of these elements, but also a range of non-conventional marks including marks based on appearance, shape, sound, smell, taste and even gesture could uniquely indentifying the commercial origin of products or services regardless of

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6 David I Bainbridge, supra note 4.
7 Ibid.
the fact that many of the latter were thought to be unregistrable in the common law system.\textsuperscript{8}

\textbf{2.2 Trade Mark Protection and Trade Mark Registration}

Conferring protections on trade marks by law, two related forms are prevalent in the present legal system: the common law of passing off which can be used to protect unregistered trade marks and statutory law of trade mark registration which is used to enforce registered trade mark rights.

The trade mark related legislation has a long history over centuries during which trade mark registration systems were subsequently established. Take the UK as an example. The earliest British law on trade marks: Bakers Marking Law was contained in a 1266 statute during the reign of Henry III, which required bakers to prick or stamp marks on the bread. However, the law’s function as to protect the marks’ property value was vague, but to trace liabilities. It was in 1452 that the earliest recorded litigation over a trade mark granted a widow of a London bladesmith the use of a mark which previously belonged to her husband.\textsuperscript{9} By the arrival of the fifteenth and sixteenth centuries, strict laws had been enforced to punish those who copied other’s trade marks. Until 1618, the first actual example of trade mark infringement litigation took place in the UK, where an action in deceit was raised by a clothier whose mark was used by another clothier.\textsuperscript{10} With the growing number of actions being heard by the courts concerning marks, the need to establish a register for trade marks expanded. The advantages of a trade mark registration were quite obvious: most notably, the difficulties of proving goodwill and distinctiveness every

\textsuperscript{8} Vaver, David, Unconventional and Well-Known Trade Marks, 2005 Singapore Journal of Legal Studies, pp. 1-2.
\textsuperscript{9} Frank H. Foster, Robert L. Shook, Patents, Copyrights, And Trade Marks, p. 21.
\textsuperscript{10} Southern v. How, (1618) Popham 144. See also in Frank H. Foster and Robert L. Shook.
time an infringer comes along that arose in passing off actions were reduced.

Various trade mark registration systems are available around the world and the trends of strengthening the trade mark protection regime are also worldwide. Despite of the disparity that may exist among systems, the global harmonization is in process ever since the first international trade mark agreement Paris Convention for the Protection of Industrial Property was reached, requiring the countries to provide the same protection regarding marks that they provide to their own nationals.11

2.3 Functions of Trade Marks

2.3.1 Ownership and Quality Indicator

The earliest function of a trade mark is simply to identify goods or distinguish them from goods made or sold by others. It works as an ownership indicator, where the marks are called proprietary or possessory marks.12 This function to a large extent originated from the need of the social practice. The primordial economy decided the use of marks at that time could only be at its height. Thus, with the development of the economy and the society’s needs, the functions of marks were extended correspondently. Distinctive marks were later commonly used not only as an ownership indicator but also as a quality indicator. At an early stage, it was the trade organizations (guilds) that required their members to apply identifying marks to the goods and ensured that the marked goods were of a satisfactory quality.13 The function as a quality indicator worked automatically in the market economy, as consumers started to realize that goods bore some marks

12 For example cattle and sheep were branded or earmarked by the farmers to identify their livestock; goods were marked by merchants before shipment for identification and retrieval. See Bently and Sherman, Intellectual Property Law (2004), p. 693.
indicating particular manufacturers or sellers usually of better quality or were produced in accordance with certain standard. The shift from ownership indicator to quality indicator was a big step in the history of marks. In the former era, the marks basically only concerned the goods and proprietors themselves, while in the latter cases, consumers’ benefits were involved and the functions begun to be tied with social economy.

2.3.2 Valuable Assets and Mythical Status

Another milestone in this history would be trade marks’ self recognition as valuable assets. Basically, the sign could give descriptions of the goods it affixed and provide information related to its origin, quality, etc. It might also convey ‘emotional allure’ to potential consumers and attract them to buy the goods.\textsuperscript{14} For example, a cosmetic with a beautiful name may have better chance to be popular with consumers. In conjunction with the marketing and advertising, the mark is said to become a ‘symbol’ instead of ‘signal’ and could evoke more enriched associations and meanings.\textsuperscript{15} In line with this rationale, trade mark itself is a vehicle for investment. Selecting a proper trade mark that could best represent the goods, maintaining the validity of that mark in different registrations, and advertising to strengthen and increase its market value, all of these can prove the change of trade mark’s function into “a symbol, a poetic device, a name designed to conjure up product attributes whether real or imagined”.\textsuperscript{16}

The function as ‘mythical status’ is newly conceptualized. It does not apply to all the trade marks but only those typically famous brands. This theory states that trade marks are helping consumers to provide with an identity. For example, a consumer of ‘ipod’, ‘iphone’ and ‘ipad’

\textsuperscript{16} Ibid.
might recognise himself as one of the fashionable youth, which is also the company’s main target group. It goes together with the modern banding theory. The ‘i-product’ is much more than a product produced by certain manufacture, or a product baring good quality or, a mark that is worth a large amount of money. It is “a way of life that instituted through the presentation, marketing, advertising and packaging, as well as the production of the product.”\textsuperscript{17}

2.4 The Use Obligation and Its Justifications

First of all, it is obvious that if a mark is not used, its function as an ownership or quality indicator becomes no longer effective. Accordingly, the trade mark protection is not meaningful and bares no justification in itself. Under this circumstance, it seems easy to explain why use obligation is launched while trade mark law gives considerably good protection of the trade mark proprietors’ rights.

Secondly, if a registered trade mark could be valid without being put into genuine use, it could lead to opportunistic stockpiling of good marks since it is profitable, as has been mentioned in the introduction. Even for those registers with goodwill, there is no incentive for them to take proper care of all their registered trade marks since the registration costs are ‘sunk’ once the marks are registered. The neglect of registered trade marks by the proprietors will result in the same problem as those opportunists. For the competitors, unfair competition is caused by the proprietors’ exclusive rights on the marks.

Furthermore, it was also argued that traders selecting marks for new registrations will have fewer choices in order to avoid conflicts with previous ones. For administrative authorities, the large amount of

\textsuperscript{17} B. Isaacs, Brand Protection Matters (2000), ch.1, cited in Bently and Sherman, p.695.
registrations would increase their work loads, which is also a waste of the social resources.

2.5 Genuine Use and Functions of Trade Marks

A balance has to be achieved between the protection conferred and the obligation imposed. Legislators usually draw the boundaries of trade mark protection based on their perceptions of trade marks and trade marks’ functions. For example, when trade marks are regarded as investment vehicles, a broader scope of protection is justified as long as investment is detectable. The definition of ‘use’ accordingly relates to the definition of ‘invest’, where both intellectual and material investments should be included. It is however problematic since investment does not equal to substantial outcome.\(^\text{18}\)

The function of a trade mark has many implications for the scope of protection conferred by the law. Changes in trade mark law have been made in response to the development of the functions that marks perform.\(^\text{19}\) Although there are different roles a mark may play, such as a sign indicating the origin of the goods and services, a quality indicator, a means of advertising goods and services, a vehicle for investment, etc., in reality, the function of a trade mark is far from settled yet. In the opinion of the author, the lack of harmony in relation to the function of trade marks is one of the main reasons why ‘genuine use’ was somehow interpreted inconsistently.

The inconsistent interpretation of ‘genuine use’ will bring about legal uncertainty. For interested parties, they will not be able to accordingly adapt themselves to the rules. Disputes are more likely to be caused and

\(^{18}\) For example, lots of investments were already made before the goods and services baring the mark are finally available in market.

within the administrative system itself uncertainty will cause inefficiency. The presumed reasons for establishing the use obligation may no longer exist and the proper functioning of the regime will be influenced.

We will begin by looking into the situations in China and the European Union, and based on the rational above discuss what the possible optimal definition of ‘genuine use’ is.
3 ‘Genuine Use’ in China

3.1 Introduction to the Chinese Trade Mark System

It is not difficult to explain why there was no modern trade mark legal system in China from 1949 when the People’s Republic was founded until the late 1970s when the economic reforms brought about significant changes and ushered in private ownership. Only thinking of the function of the trade mark system, we could barely find any practical need or financial incentive for traders to register and protect their marks. At that time, the Chinese economy was centrally planned and tightly controlled by the state, where no market economy existed. What existed then were a set of administrative regulations issued by the government, for example, the State Council issued the Interim Regulations on Trade Mark Registration in 1950 and the Regulations Governing Trade Marks in 1963.20

The legislative situation changed rapidly after China embarked on the reform and opening-up policies21. The need to register, develop and protect trade marks mushroomed as competition consequently arose. The first Chinese Trade Mark Law was enacted in 1982 by the National People’s Congress and amended for the first time in 1993. The development of the trade mark system in China was also advanced by foreign and multinational companies’ entry into the market. To meet the international standards required by the World Trade Organization, it was further amended in 2001. To meet the increasing needs for a developed system, the legislature started the process to revise the trade mark law again in 2007. The principal goals of this latest revision are to

21 An alteration in the economic system as introduction of prices and markets to supplement the planned economy, which is after the 14th party congress namely a socialist market economy with Chinese features.
simplify the procedure of trade mark registration, and to enhance protections of registered marks.22

3.2 Applicable Laws and Regulations

Non-use as the ground for revocation could be traced back to the 1982 Chinese Trade Mark Law and 1983 Implementing Regulations. The wording of the rules has not changed, and can still be found in the applicable rules today.

Article 44 of The Trade Mark Law of People’s Republic of China provides that “Where any person who uses a registered trade mark has committed any of the following, the Trade Mark Office shall order him to rectify the situation within a specified period or even cancel the registered trade mark … (4) where the use of the registered trade mark has ceased for three consecutive years.” 23

Article 3 of the Implementing Regulations on Trade Mark Law of People’s Republic of China:

“The use of trade marks referred to in the Trade Mark Law and these Regulations include, among other things, the use of trade marks on goods, packages or containers thereof and commodity trading instruments, or use of trade marks in advertisements, exhibitions and other commercial activities.”24

24 Promulgated by the State Council on 3 August 2002 and entered into force on 15 September 2002.
Article 39 of the Implementing Regulations on Trade Mark law of People’s Republic of China correspondingly provides that “In respect of the act referred to in Article 44 (4) of the Trade Mark Law, any person may apply to the Trade Mark Office for cancellation of said registered trade mark and explain the circumstances. The Trade Mark Office shall notify the trade mark registrant and require him to provide, within two months from the date of receipt of the notification, proof of use of the trade mark before the date on which the application for cancellation is filed, or a justifiable reason for its non-use. If no proof of use, or a justifiable reason for the non-use is provided at the expiration of the time limit or the proof is invalid, the Trade Mark Office shall cancel his registered trade mark.”

Under the same provision, it is ruled that the proof of use of a trade mark referred to includes proofs of the registrant's using the registered trade mark and his licensing any other person to use the registered trade mark.

### 3.3 Debates among Scholars and Practitioners

In the Chinese legal regime, laws and statues set general principles and guidelines while rules and regulations function as implementations regulating specific issues. Since the case law is not an official resource of law in China, scholars and practitioners only have to look up the available laws, regulations and judicial interpretations.

To interpret ‘use’, there are in general two different approaches being debated among scholars and practitioners in China. The first one is a literal interpretation, which means that as long as it complies with the

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25 Ibid.
definition stipulated in law, meeting the settled criteria, ‘use’ is recognized. The requirements are as stipulated in Article 3 of the Implementing Regulations on Trade Mark Law of People’s Republic of China. This approach doesn’t take the trade mark proprietors’ motivation of use into consideration, and doesn’t take into account if the claimed use is performing the trade mark’s function. However, this approach has been quite popular and predominant in China. It is considerably easy and efficient to apply this test, where you only need to use the settled criteria to assess the outcomes of the use rather than to analyze the sophisticated intent of users.

However, at the same time, the disadvantages of a literal interpretation are quite obvious. Token use could easily pass the test, as to meet the requirement such as ‘use of trade marks in advertisements’ is not that costly. In recent years, an increasing number of foreign traders have realized the importance of protecting their marks in China, and have registered loads of marks in order to get wider scope of protection. Not all the marks are actually being used or to be used in the foreseeable future. Therefore, how to maintain their registered trade marks became a great concern for these proprietors. They are also aware of that in the event of trade mark infringement disputes, the lack of evidence of use will be a great disadvantage and may easily lead them to a vulnerable position. Based on the objective test, which does not assess the intent of the use but only its outcome, a literal interpretation of the use of the mark has prompted experienced lawyers to even advise clients to publish advertisements for the purpose of winning a defensive position in trade mark registration. As the most convenient way, advertisements should be published by the legally registered and qualified publishers. Agencies are commonly used in selecting proper media to publish the advertisements. Although there is no consistent evidence indicating a settled threshold as it requires the advertisements

to reach a certain amount, it is commonly agreed that government announcements and news reports through various media in relation to a trade mark is not qualified to be a proof of use. From this phenomenon, we can at least conclude that the objective approach is not a sufficient mechanism to distinguish token use from those with goodwill.

Different from the literal or objective approach to assessing genuine use, another approach could be found in China is to examine the functions of trade marks. It emphasizes the importance of the role that trade mark plays. Only if the use of the trade mark can effectively distinguish the goods or services it affixed, could this use be recognized as ‘use’ in a revocation proceeding. Although this approach is only supported by a minority in academia, some of the judges are also expressing their interpretation of ‘use’ in accordance with this approach. This approach is more theoretically self-consistent, as it is doing a substantive examination and aiming to ensure the use obligation imposed is well justified.

3.4 Administrative Decisions and Judicial Decisions

3.4.1 Introduction

In principle, neither administrative decisions nor judicial decisions are recognized as precedents, but it only means that the courts and judges are not bound by these decisions. They are of great reference value and worth to be looked into in order to achieve better understanding and deep insight of the legal issues.

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China Trade Mark Office (CTO) under the State Administration for Industry & Commerce (SAIC) is authorized by law to administer trade mark registration, review, and related matters throughout the country. Under certain circumstances which include ‘non-use for consecutive three years’, the CTO may revoke a registered trade mark according to Article 44 of the Trade Mark Law of 2002.

If we focus on the cancellation proceedings, according to Article 39 of the Implementing Regulations, it is up to a person to apply to the CTO for cancellation of the trade mark in respect of non-use, which is different from the other circumstances of cancellation where the administrative authority shall proactively order the trade mark registrant to rectify the situation within a time limit and if no compliance is reached, the case shall be submitted to the CTO for cancellation.

That is to say the non-sue cancellation proceeding of a registered trade mark in China have to be initiated by a third party (natural or legal person). Article 49 of the 2001 Trade Mark Law stipulates the following appealing procedures. Any party dissatisfied with the decision of the CTO may, within fifteen days from receipt of the notice, apply to the Trade Mark Review and Adjudication Board (TRAB) for a review. If any interested party is dissatisfied with the decision by the TRAB, legal proceedings in the People’s Court could be instituted within thirty days from the date of receipt of the notice.

In court proceedings, the Chinese courts apply both substantive law and procedural rules. In practice, as many scholars have observed correctly, judicial interpretations and decisions issued by the Supreme People’s Court serve as de facto precedents which are followed by the courts and

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30 See Article 2 of the Trade Mark Law of 2002.
judges across the country. We shall therefore pay special attention to the decisions of the Supreme People’s Court.

### 3.4.2 CTO and the Criteria for Trade Mark Review and Adjudication

CTO announced a set of internal standards for its administrative work, which were revised into ‘Criteria for Trade Mark Review and Adjudication’ in 2005. When defining the use of trade mark, the rules use similar wording as in Article 3 of the Implementing Regulations on Trade Mark law of People’s Republic of China. It is emphasized that the use should be ‘commercial’.

Two lists of examples of use were enumerated in the above mentioned rules illustrating the forms of use in relation to goods and services. Through these details, they are explaining what is meant by use on “1) goods and services, packages or containers thereof; 2) commodity trading instruments; 3) advertisements; and 4) exhibitions”. However, as likely as the general definition which used the wording “include”, the list is non-exhausted. It is suffixed by the fifth “5) other lawful forms of use of trade mark”. It should be noted that the simple informative publication of the registration or the announcement of the proprietors’ exclusive rights on the registered trade mark is not use within the trade mark legislation.

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31 Robert H.Hu, supra note 18, p. 25.  
32 Adopted by China Trade Mark Office (CTMO) and Trade Mark Review and Adjudication Board (TRAB) on December 31, 2005.  
33 5.3.1 of the ’Criteria’: the use of Trade Marks referred to the commercial use of Trade Marks, including the use on goods, packages or containers thereof and commodity trading instruments, or use of Trade Marks in advertisements, exhibitions and other commercial activities.  
34 5.3.2 and 5.3.3 of the ’Criteria’ are namely the specific forms of use of Trade Mark on goods, and on services.  
35 5.4.3 of the ’Criteria’.
When specifying the evidence rules, genuine, public and legitimate use of the trade mark is required to be proved.36

### 3.4.3 Genuine, Public and Legitimate Use and the Controversial Judgments

The courts judgments are commonly using the wording in the ‘Criteria for Trade Mark Review and Adjudication’ requiring the use to be ‘commercial’, ‘genuine’, ‘public’ and ‘legitimate’. However, the interpretation of these concepts is controversial. The overall interpretation is actually the ‘genuine use’ we discussed throughout the thesis.

In the disputes raised by Kunning Dihon Pharmaceutical Co., Ltd (DIHON), TRAB and Shantou Kanwan Fine Chemical Industry Co., Ltd (Kanwan), the Supreme People’s Court explicitly expressed its position in interpreting the ‘use’ referred to in Article 44(4) of the 2001 Trade Mark Law.37 The Court ruled that the use of the Trade Mark should be public, genuine and legitimate use in commercial activities. It further pointed out that to judge the legitimacy of the use, not only trade mark law and regulations should be referred to, but also other legal status. If the proprietor’s activities were in violation of the mandatory or prohibitive rules, its use of mark could not be recognized as use in trade mark law.38

The relationship between the administrative system and the judicial system is however controversial. CTO tends to separate the assessment of use of trade mark from judging the legitimacy of use in respect of other rules. In the Dihon Case, TRAB accepted Dihon’s evidence which proved its use of the mark on packages of its anti-chap skin cream

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36 5.3.5 (6) ibid.
products, and decided to keep its registration. Kanwan, the applicant for cancellation, claimed that Dihon’s use did not comply with the law due to the lack of hygiene license on its products and packages. The courts supported Kanwan and ruled that legitimacy of the use complying with all applicable rules is essential in a trade mark revocation case.39

In a similar case, TRAB was again in support of the proprietor’s claim and sustained its registration after receiving evidence of its use of the mark. Castel Freres SAS, a French company who initiated the revocation proceeding, based its appeal on the fact that the proprietor’s claimed use did not follow the labelling rules for import and export food. TRAB supported the proprietor’s claim without taking rules other than trade mark law into consideration. However, the court held a different opinion from the Dihon Case this time. The court ruled that the essence of Article 44(4) of the Trade Mark Law is to ensure that the registered mark is in use, instead of speculating how it is used. Therefore, whether or not the proprietors are operating with appropriate permits should be governed by corresponding rules and agencies. The Court of Appeal confirmed the above ruling and further said that the problem with import and export permit claimed by the appellant is not relevant with the legitimate use of trade mark, and should be dealt with by corresponding rules regulating import and export.40


The discrepancy of different courts’ opinions on how to assess a ‘legitimate’ use of trade mark gave rise to an intensive debate among scholars and practitioners. It will be interesting if we use the approaches discussed above to reconsider this issue.

3.5 The Literal Interpretation and Its Insufficiency

In order to apply the literal interpretation of the ‘genuine use’, we only need to see if the requirements as stipulated in applicable rules are satisfied. That is to say, Article 3 of the 2002 Implementing Regulations and the judicial interpretations of the Supreme People’s Court. As the list of use is non-exhaustive, the essence of the requirement set in the regulations is actually being ‘commercial’. As in the Dihon case, the Supreme People’s Court explicitly required the use being ‘genuine’, ‘public’ and ‘legitimate’. When defining ‘legitimate’, a literal interpretation of the Court magnified the scope of ‘legitimacy’ and is also indefensible.

When applying the second test the question to ask it whether or not the use of the trade mark is distinguishing the affixed goods and services. It emphasizes the most fundamental function trade mark shall play, which is also the justification for the trade mark protection. Following this rationale, the registration should be sustained as long as the foundation is not undermined. Even if the proprietor’s activities do not comply with some other requirement of the law, its use of the mark might still be a valid use under the scope of trade mark law. The functioning test therefore will not cancel a trade mark due to its incompliance with other regulations than trade mark law.

Additionally, the jurisdiction of CTO and TRAB should be limited. They are only authorized by law to administer trade mark registrations, conduct reviews, deal with trade mark disputes and other related
issues. On the other hand, the violation of other laws and regulations would inevitably trigger legal sanctions.

A systematic analysis of the trade mark legislation is in line with the reasoning above. For example, in Article 45 of the Trade Mark Law, the legal consequence of poor manufacture, or replacement of superior quality by inferior quality is that the proprietor may receive an order to rectify the situation, with an additional notice of criticism or fine imposed by CTO, and the mark may even be cancelled. That is to say cancellation of the mark is not necessarily to be imposed as a punishment on the proprietor if its behavior is flawed. While a period of time may be given to the proprietor for rectification under Article 45, no such remedy is offered in Article 44(4). The direct legal consequence of non-use of the mark is cancellation. Therefore, a broad interpretation of ‘use’, which does not require it to comply with all fields of rules, secures that such severe penalty is not imposed excessively.

41 Article 2 of the Trade Mark Law of 2002.
4 Rules and Practice in The European Union

4.1 Introduction to the EU Systems

There are different possible routes traders might take to register a trade mark in the EU: national, international, regional registrations.\(^{43}\) Even though differences exist among these registration systems, it is imperative that any system shall ensure that registrations define real rights.\(^{44}\)

Nowadays, the use obligation of a registered trade mark is commonly imposed on the national level in Member States of the European Union as a result of the harmonization. For example in Denmark, it was the 1991 Trade Mark Act introduced the revocation of trade marks for non-use to implement the Council Directive 89/104.\(^{45}\) In the UK, the obligation of a ‘bona fide’ use existed as early as in the 1938 Act but a new wording ‘genuine use’ was employed in the 1994 Act.\(^{46}\) The grounds for revocation of a mark were set out in § 46 TMA 1994, including non-use without ‘proper reason’ for a period of five years.\(^{47}\)

In practice, however, greater problems are likely to be caused by the marks in certain registries than others. For example, Community marks are comparatively more problematic than UK marks since the intention

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\(^{43}\) For example the national registration system existed in UK since 1875, and the OHIM started granting Trade Mark registration valid across the European Union in accordance with Council Regulation (EC) No.40/94 of 20 Dec1993 on the Community Trade Mark. International filing systems under the Madrid Agreement or the Madrid Protocol are administrative systems merely to facilitate the acquisition of national marks while regional Trade Mark systems such as Benelux Trade Mark registry provide substantial rights.


\(^{47}\) Trade Mark Act 1994, § 46(1)(a) and (b).
to use the mark applied for does not need to be expressly present when filing a Community Trade Mark application, where a bona fide intention to use the mark must be stated by an applicant for UK marks. Nevertheless, a uniform interpretation of ‘genuine use’ is important throughout the EU territory in light of the harmonization.

4.2 Applicable Rules

The Trade Mark Directive (Directive 2008/95/EC, the codified version to Directive 89/104/EEC) provided for harmonization of substantive rules of trade mark laws in the Member States. It is not only presented in the preamble of the directive, but also commonly agreed that it is the Community legislature’s intention to maintain the rights in a trade mark to be subject to the same protection under the legal systems of all the Member States.

Article 10 and 12 of the Directive stipulated that “If, within a period of five years following the date of the completion of the registration procedure, the proprietor has not put the trade mark to genuine use in the Member State in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the trade mark shall be subject to the sanctions provided for in this Directive, unless there are proper reasons for non-use.” and “A Trade Mark shall be liable to revocation if, within a continuous period of five years, it has not been put to genuine use in the Member State in connection with the goods or services in respect of

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48 Ibid, §3(6).
which it is registered, and there are no proper reasons for non-use.”

Regarding the definition of use, it is especially emphasized that “use of the trade mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered; affixing of the trade mark to goods or to the packaging thereof in the Member State concerned solely for export purposes” and “use of the trade mark with the consent of the proprietor or by any person who has authority to use a collective mark or a guarantee or certification mark” shall be deemed to constitute use.

As was mentioned in the preamble of the Directive, it is important not to disregard the Community Trade Mark system. Correspondently, Article 15 of Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community Trade Mark (CTMR) imitatively sets the genuine use requirement. Article 42 of the CTMR, accordingly stipulated rules for the examination of opposition, ruling that “…if the applicant so requests, the proprietor of an earlier Community Trade Mark who has given notice of opposition shall furnish proof that… the earlier Community Trade Mark has been put to genuine use…” which is Article 43 in the Council Regulation (EC) No 40/94 of 20 December 1993 on the Community Trade Mark.


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51 Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community Trade Mark,

52 Ibid, it imitatively rules that “if, within a period of five years following registration, the proprietor has not put the Community Trade Mark to genuine use in the Community in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the Community Trade Mark shall be subject to the sanctions provided for in this Regulation, unless there are proper reasons for non-use”. The following shall also constitute use within the meaning of the first subparagraph: “(a) use of the Community Trade Mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered; (b) affixing of the Community Trade Mark to goods or to the packaging thereof in the Community solely for export purposes.” Besides, “use of the Community Trade Mark with the consent of the proprietor shall be deemed to constitute use by the proprietor.”
Community Trade Mark further provides the detailed requirement of the proof of use “shall consist of indications concerning the place, time, extent and nature of use of the opposing trade mark for goods and services in respect of which it is registered … The evidence shall, in principle, be confined to the submission of supporting documents and items such as packages, labels, price lists, catalogues, invoices, photographs, newspaper advertisements, and statements in writing”. 53

The Directive, which was designed to harmonise the trade mark laws within the EU, provides basis to understand the European trade mark system. In determining the concept of ‘genuine use’, there is also an urgent need for a uniform interpretation to the related provisions of the Directive throughout the Community.

4.3 Genuine Use in Case-Law

4.3.1 Introduction

The Court of Justice (ECJ) has always been doing its job as “to make sure that EU legislation is interpreted and applied in the same way in all EU countries, so that the law is equal for everyone”.54 The ECJ deals with appeals from the Court of First Instance (CFI) relating to the Community Trade Mark, and also gives preliminary rulings to national courts if so requested. The CFI has jurisdiction to hear actions relating to Community Trade Marks and the rulings may be subject to an appeal to the ECJ. 55 During the years, cases from the national courts have continuously been referred to the ECJ concerning the question, how

54 Often referred to simply as ‘the Court’ was set up under the ECSC Treaty in 1952, based in Luxembourg. See <europa.eu/institutions/inst/justice/index_en.htm>, visited on 5 May, 2010.
55 The CFI, which is now the General Court, hears actions relating to Community Trade Marks and appeals are sent to the ECJ, <curia.europa.eu/jcms/jcms/Jo2_7033/>, visited on 8 May, 2010.
“genuine use” had to be interpreted. The ECJ has therefore developed a body of case law which we can look through. It is worth to be mentioned that the body of case law differs from the case law in the common law system which is build up from binding juridical precedents. The accumulation of rulings only develops a body of jurisprudence on the interpretation of EU legislations and “the judgements of the ECJ should not be read or applied too literally”. In other words, these rulings provide guidance on how the national courts should interpret the relevant Directive.

The Court has a quite clear position regarding the purpose of the use obligation. It is explicitly said that for the interpretation of the notion of genuine use, account must be taken into that the requirement is to reduce the number of conflicts. The purpose is not to assess commercial success or to review the economic strategy of an undertaking, nor to restrict trade mark protection to the case where large-scale commercial use has been made of the marks.

The interpretation of ‘genuine use’ varies when different levels of requirement of use are employed. The approaches used to test could also be roughly divided into two categories. The distinction lies in whether it is a ‘subjective’ or ‘objective’ assessment. For the objective assessment, the test is ordinary commercial standards. Although it requires real substantial use in the marketplace, as long as these objective requirements are satisfied, use is not difficult to be recognized. In contract, the subjective assessment tests the honest intent of the proprietor. Any use which is not artificial, fictitious or merely to retain the mark is suffice and the use can be de minimis.

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4.3.2 The Objective Approach

Dealing with the Community Trade Mark disputes, the CFI has shown its objective understanding of ‘genuine use’ in several cases.

In Kabushiki Kaisha Fernandes v. OHIM, the applicant claimed that the Board of Appeal was wrong not to accept that it was overwhelmingly likely that the ordinary use of the catalogue at the Frankfurt fair constituted genuine use of the earlier mark for the purpose of trading in amplifiers. It ought to have taken account of all those factors demonstrating genuine use of the German HIWATT mark.\(^6\) The OHIM argued that genuine use of the mark may be proved where all the requirements laid down by Rule 22(2) of Regulation No 2868/95 are met, on the basis of all the evidence adduced to that end. However in this case, the criteria set above are not satisfied, particularly as to time, place and extent of use. The CFI seems trying to base its reasoning on the functioning of trade mark and argued that genuine use implies real use of the mark on the market concerned for the purpose of identifying the goods or services. Therefore, minimal or insufficient use should be excluded when determining that a mark is being put to real, effective use on a particular market. Regardless of the owner’s intention to make real use of his trade mark, as long as “the trade mark is not objectively present on the market in a manner that is effective, consistent over time and stable in terms of the configuration of the sign, so that it cannot be perceived by consumers as an indication of the origin of the goods or services in question”, genuine use of the trade mark is not recognized.\(^6\)

It also explicitly ruled that genuine use of a trade mark not only excludes artificial use for the purpose of maintaining the mark on the register, it also means that “the use must be present in a substantial part

\(^6\) Kabushiki Kaisha Fernandes v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM), Case T-39/01, paras. 22-24, European Court reports 2002 Page II-05233.

\(^6\) Ibid, para. 36.
of the territory where it is protected, inter alia exercising its essential function, which is to identify the commercial origin of the goods or services, thus enabling the consumer who acquired them to repeat the experience, if it proves to be positive, or to avoid it, if it proves to be negative, on the occasion of a subsequent purchase.”\textsuperscript{62} The CFI accordingly concluded that the presence of the applicant and the mark HIWATT at the trade fair could only be considered as indicating a possible intention on the part of those companies of entering the market, which does not prove consistent, stable and real use of the HIWATT mark capable of amounting to genuine use.\textsuperscript{63}

In \textit{Jean M. Goulbourn v. OHIM}, the proprietor of registered trade mark COCOON provided evidence comprising mail-order catalogues distributed in several million copies in various European countries, including France and Benelux countries. The Opposition Division of the OHIM considered that it could only be deduced from the catalogue extracts submitted that those marks were intended for use in France and possibly Belgium. However, it was not possible to establish the extent of that use on the basis of that evidence and therefore genuine use was not recognized. The Third Board of Appeal of the OHIM annulled the Opposition Division’s decision and took the view that “in general, genuine use…is to be understood as real use of the mark on the market, so as to draw the attention of potential consumers”. It considered that the evidence provided showing the catalogue being well-known and distributed in many European countries were sufficient to prove the genuineness of that use.\textsuperscript{64} Although CFI annulled the Board of Appeal’s decision based on the second plea of the applicant alleging breach of the right to be heard, in the Court’s finding, it was prepared to infer that the proprietor had made genuine use of the mark. However, it is far from being concluded that the CFI is applying a subjective test assessing the proprietor’s intent. It indicated that “the condition of

\textsuperscript{63} Ibid, para. 45.
\textsuperscript{64} Jean M. Goulbourn v. OHIM, T-174/01, European Court reports 2003 Page II-00789.
genuine use of the mark requires that the mark, as protected on the relevant territory, be used publicly and outwardly for the purpose of ensuring an outlet for the goods or services which it represents”.

In Laboratorios RTB, SL v. OHIM, the CFI again quoted its ruling in the ‘HIWATT’ case that “even if it is the owner’s intention to make real use of his trade mark, if the mark is not objectively present on the market in a manner that is effective, consistent over time and stable in terms of the configuration of the sign, so that it cannot be perceived by consumers as an indication of the origin of the goods or services in question, there is no genuine use of the Trade Mark”. It found that the sales of goods identified with the mark of which the applicant has produced evidence are very low and therefore could not establish that the mark in question was consistently present. The CFI were in support of the Board of Appeal who made a decision concluding that genuine use of the concerned marks was not proved.

4.3.3 The Subjective Approach

While the CFI hears actions relating to Community Trade Marks, the ECJ not only deals with appeals to these rulings, but also guide the national courts in interpreting their national rules which should be in line with the Community rules via preliminary rulings.

In Ansul BV v. Ajax Brandbeveiliging BV, the proprietor had not been releasing new products on to the market since 1989 but had merely maintained, checked and repaired used equipment and used the mark MINIMAX on its invoices. The Regional Court of Appeal of Netherlands found that the use of stickers and strips bearing the mark

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65 Ibid, para. 39.
67 Laboratorios RTB, SL v OHIM, Case T-156/01, European Court reports 2003 Page II-02789.
68 Gerechtshof te ’s-Gravenhage.
was not distinctive of the extinguishers and “even if it were to be regarded as amounting to use of the mark, it could not amount to normal use within the meaning of Article 5(3) of the UBL.\(^{69}\), because the object was not to create or preserve an outlet for fire extinguishers”.\(^{70}\) The appeal court Hoge Raad der Nederlanden held that in assessing whether there was normal use, regards must be had to “all the facts and circumstances specific to the case” and those facts and circumstances must demonstrate that “having regard to what is considered to be usual and commercially justified in the business sector concerned, the object of use is to create or preserve an outlet for trademarked goods and services and not simply to maintain the rights in the trade mark”.\(^{71}\) It referred the case to the ECJ for a preliminary ruling on the questions of the meaning of “genuine use”.

The ECJ seems to take a subject approach while stressing the importance of a uniform interpretation of this notion. It stated that interpretation must take into account the context of the provision and the purpose of the legislation in question. Analysing the context and purpose thereof, it ruled that first of all, token use, serving solely to preserve rights was not genuine use. Further, it ruled that genuine use must be consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of goods or services to the consumer or end user. As the mark shall be used “to create or preserve an outlet for the goods or services that bear the sign of which it is composed, as distinct from the goods or services of other undertakings”, it concluded that “use of mark must therefore relate to goods or services already marketed or about to be marketed and for which preparations by the undertaking to secure customers are under way, particularly in the form of advertising campaigns.”\(^{72}\) Moreover, it ruled that it was necessary to take account of all the facts and circumstances and assess

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\(^{69}\) The Uniform Benelux Law on Trade Marks of 19 March 1962.

\(^{70}\) Ansul BV v. Ajax Brandveveiliging BV (C-40/01) [2003] E.C.R. I-2439 (ECJ), para.18.

\(^{71}\) Ibid, para. 21.

\(^{72}\) Ibid, para. 37.
“whether the commercial exploitation of the mark is real, in particular, whether such use is warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark”.73

Which most significantly indicated the Court’s approach as being subjective is that “use of the mark need not, therefore, always be quantitatively significant for it to be deemed genuine”.74 The Court declined to rule on the specific case but left it to the national courts. It nevertheless indicated the subjective approach it used when assessing whether use was genuine. The fact that a mark is used on goods that were sold before but are no longer available does not mean that the use is not genuine. Provided the use concerned component parts that were integral to the mark-up or structure of such goods, or concerned goods or services directly connected with the goods previously, the use could amount to ‘genuine use’.

The ECJ’s ruling in La Mer Technology Inc v. Laboratories Geomar SA was in line with its reasoning in Ansul.75 La Mer is a trade mark registered by Laboratoires Goemar, and Geomar did not directly sell the products in the UK but was intending to use a distributor, Health Scope. They planned to use members of the public as sub-agents who were to sell the cosmetics at private “Tupperware” parties, so Goemar imported GBP 800 worth of goods under the mark to the UK and provided them to Health Scope, which was wound up before the plan being actually carried out. There had been no sales or advertising to the public found in the UK within the relevant five years. La Mer Technology Inc. therefore filed a revocation application for the La Mer marks based on §46(1) of the Trade Marks Act. Dr W.J.Trott, Principal Hearing Officer acting for the Registrar of Trade Marks dismissed the application and

73 Ibid, para. 38.
74 Ibid, para. 39.
75 La Mer Technology Inc v. Laboratories Goemar SA (C-259/02) [2004] E.C.R. I-1159 (ECJ (3rd Chamber)).
ruled that the importation and supply of goods under the mark could demonstrate a genuine attempt to create a market for the goods in the UK. La Mer Technology Inc appealed to the High Court, and the Honourable Mr. Justice Jacobs supported the decision of the Trade Mark Office. The High Court also referred the case to the ECJ asking what factors should be taken into account when deciding whether a mark has been “put to genuine use” in a Member State within the meaning of Articles 10(1) and 12(1) of the Trade Mark Directive.

To answer the questions referred, the ECJ took the view that it could be clearly deduced from the judgement in Ansul. In particular, it answered the question whether there is a *de minimis* rule in order to establish ‘genuine use’. It is not possible to determine priori in the abstract, what quantitative threshold should be chosen in order to determine whether use is genuine or not. As a *de minimis* rule would not allow the national court to appraise all the circumstances of the dispute before it, thus rule could not be laid down. Even minimal use could qualify as genuine provided that it was justified for the preservation or creation of market share. The subjective approach the ECJ held was further strengthened in this case.

4.3.4 The ECJ and the CFI: Pure Subjective Approach and Simple Objective Approach?

From the case-law above illustrated, suffice it to say that the ECJ and the CFI have been applying different approaches to determining whether or not a use was genuine. Most notably, whereas the ECJ ruled in *Ansul* that it is not possible to determine what quantitative thresholds should be chosen in order to determine whether use was genuine or not, and no *de minimis* rule could be laid down, the CFI demanded in

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76 Ibid, para. 14.
77 Ibid, para. 25.
78 Ibid..
HIWATT that the use be not minimal. However, the question needs to be considered is whether the ECJ is solely applying the subjective approach and whether the CFI’s approach is purely objective.

To assess whether the use of a trade mark was genuine or not, based on the applicable rules and case-law, it has been undoubtedly accepted that, national offices or courts, the OHIM or the CFI, should analyse all the facts and circumstances concerned including the place, time, extent and nature of that use, and should seek to determine whether the trade mark had been used in order to create or preserve an outlet for which the alleged use was established or, on the contrary, that use had been for the sole purpose of preserving the rights conferred by the mark and had to be regarded as token. In general, the CFI has applied its objective test and requires substantial use in the marketplace. At the same time, the intent of the use should also be examined, as token use has to be excluded undoubtedly. The distinctive character of this objective approach is that its scope of exclusion is much broader. For instance, use with goodwill may even not be able to constitute genuine use where either it is minimal or insufficient. On the other hand, the ECJ’s approach is not as simple as a conceptualized term, a ‘subject approach’. It seems like the ECJ is setting a lower level of threshold for genuine use as it tests the intent of the proprietor only in order to exclude the token use from genuine use, and sets no objective de minimis threshold. Meanwhile it cannot be neglected that the ECJ also considers all the facts and circumstances to ensure that genuine use is consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of goods or services to the consumer or end user. As some scholars have argued, what of importance in the Court’s reasoning is that the use of the mark shall be consistent with the essential function of a trade mark, which is to guarantee the origin of the goods or services.

79 See supra note 63.
80 The ECJ confirmed the CFI’s ruling in its assessment of the genuine use in Sunrider Corp v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) (C-416/04).
81 See supra note 70, para. 36.
They argued that it was not a subjective test and although the use being minimal is irrelevant, use of a trade mark that was neither internal nor token should not necessarily be regarded as genuine use.\textsuperscript{82} As the subjective test is not clearly defined either, in the opinion of the author, the subjective approach was nevertheless used by the ECJ when it examined the intent of the use and didn’t set minimal threshold for genuine use. It is just unclear whether the ECJ meant to solely apply this test without additional requirements.

4.3.5 A Systematic Analysis for the Subjective Approach

If we take a systematic review of all the possible requirements that the test for genuine use should comply with, it is easier to understand why the ECJ has endorsed this approach to its interpretation of ‘genuine’ use.

Assessing whether the claimed use was genuine or not, one has to take all the facts and circumstances concerned. If an objective test is rigidly imposed, neither the courts nor administrative offices could have the jurisdictions or space to consider all these factors and achieve optimal decisions. For example, in two different cases referred to the ECJ, non-profit-making use in one case and use in free merchandizing in the other got totally different results due to the different circumstances. In \textit{Verein Radetzky-Orden v. Bundesvereinigung Kameradschaft Feldmarschall Radetzky}, the fact that goods or services are offered on a non-profit-making basis is not decisive when the proprietor of concerned trade mark is a charitable association.\textsuperscript{83} The ECJ held that it is put to genuine use where “a non-profit-making association uses the trade mark, in its relations with the public, in announcements of


\textsuperscript{83}Verein Radetzky-Orden v. Bundesvereinigung Kameradschaft Feldmarschall Radetzky (C-442/07) Judgment of December 9, 2008.
forthcoming events, on business papers and on advertising material and the association’s members wear badges featuring that trade mark when collecting and distributing donations."84 In Silberquelle GmbH v Maselli-Strickmode GmbH, the use of trade mark ‘WELLNESS’ for alcohol-free drinks which the proprietor of the mark gave, free of charge, to purchasers of his other goods (textiles in this case) was not recognized as genuine use of the mark in relation to the alcohol-free drinks. 85 If an objective approach was used in these two cases, it would most likely result in the same answer of yes or no to the question whether there was genuine use in relation to the goods or services.

Overall, with regard to the Directive, it is already settle case-law that ‘genuine use’ must be understood to denote actual use, consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of goods or services to the consumers or end users by enabling them, to distinguish the goods or services from others. 86 It follows from that concept of ‘genuine use’ that the protection that the mark confers cannot continue to operate if the mark loses its essential function, which is to create or preserve an outlet for the goods or services it affixed, as distinct from the goods or services of others.87

84 Charity May Make ’Genuine Use’ of Trade Mark, Case Comment, EU Focus 2009, 246. 25.
85 Silberquelle GmbH v Maselli-Strickmode GmbH, Case C-495/07.
87 See Ansl , para. 37, Verein Radetzky-Orden, para. 14, and Silberquelle, para. 18.
5 The Elements of Resolution

5.1 An Analysis Based on the Justifications for Trade Mark Protection

If we balance the benefits of trade mark regime with its costs, it is not difficult to justify the protection of trade marks. However, setting a proper boundary for the trade mark protection, which directly influences the interpretation of ‘genuine use’, is never easy. For some reasons, registered trade marks should be protected. Thus, if these reasons or justifications no longer exist, the protection is reluctantly to be sustained. To study the justifications of the trade mark protection, we can get some guidance for the interpretation of ‘genuine use’.

With the development of its functions, trade mark embraces various justifications. At the first two stages, where trade mark operates as an ownership indicator and quality indicator, the justifications are quite evident: Trade Marks are protected so that they can identify the ownership and origin, or they can signify that goods being affixed are of good quality. If anyone can use any signs he likes, confusions would arise. In this sense, trade marks are protected for the consumers’ benefits. They can distinguish goods and services so that the consumers’ decision making process could be based on more information. The efficiency it thus brings is magnified when consumers are ‘long-term’ consumers of certain kind of goods or services. These justifications for trade mark protection are somehow still valid, as the trade marks’ functions as to distinguish goods or services, indicating good quality are fundamental functions and are still of importance nowadays.

An arising rationale justifying trade mark protection is tied with the modern function of trade marks, which is as being discussed above to operate as valuable assets and even mythical status. Different from
patent and copyright, trade mark is usually not invented or created with much labour or intelligence. “While the associations between the mark and a source or goodwill may be instigated and nurtured by the trader, they are as much created by the customers and the public.” 88 The thing of importance is the investment the mark was injected after its creation. For traders, only if their marks could be properly protected, and they can reap the rewards associated with their investment in branding, they could feel security in this investment. This is also an encouragement for the production of high quality goods and services. For an imitating competitor who is expecting a ‘free ride’, the opportunism it might be baring is simultaneously stifled.

If within a reasonable period of time after registration, a mark is not put into use or the use was suspended, are there still good reasons for preventing others from adopting that mark? From the author’s point of view, as long as one of the main justifications for trade mark protection is still valid, the mark should not be easily revoked. It means that the recognition of ‘genuine use’ is transformed into the examination of these justifications.

In practice, no matter it is in the EU or China, if you mention the functioning of a trade mark in a genuine use test, only the basic function as to distinguish goods or services it affixed are considered. However, if we take account of all these functions, including the function where a trade mark plays the role as an investment vehicle, the result will be different. ‘Investment’ is from the proprietor’s perspective while ‘distinguish’ is from the consumers’. It is apparent that genuine use will be easier to be proved if the assessment is to test the proprietor’s ‘investment’ rather than the consumers’ perception.

88 Bently and Sherman, supra note 14, p. 699.
5.2 **Rethink of Trade Marks: Persuasive or Informative; Private Assets or Public Goods; Infinite or Limited Social Resources?**

Although a registered trade mark should not be generic, it is notably worth a discussion on whether it is informative or persuasive. Ralph Brown has drawn a distinction between informational and persuasive advertising where he tied the legitimacy of trade mark protection to advertising. The author holds the opinion that trade marks have become increasingly persuasive. Such an assertion is compatible with the newly developed functions of trade marks and the modern branding theories. Instead of merely indicating information such as the origin of the goods or services, a modern trade mark plays its role the same as an advertisement.

With regard to a registered trade mark, which was tied to ‘investment vehicle’ and ‘persuasive advertisement’, one can hardly put it into the category of ‘public goods’ although trade marks always concern public interests. Trade marks as private assets enjoy the status of private rights. Revocation of a registered trade mark is actually one of the ways that public power interferes with private rights. Public power deserves a role since we cannot let proprietors do whatever they want (for example, opportunism and neglect of use). It is the requirement of the constitutionalism that public power shall be exercised to limitations. It may therefore be said that the interference with private rights shall be limited to only where the limitation is indispensable. To this end, the scope of ‘genuine use’ is to be maximized.

If we regard all the marks eligible to be registered as social resources that traders may choose from for registration and use, it is substantial to ask whether the collection of marks is infinite or limited. The trend to

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89 Ibid, p. 701.
enlarge the scope of eligible marks could be detected as non-conventional marks are gradually been accepted.\textsuperscript{90} Modern trade marks are being connected with the concepts the branding activities aim to convey to the consumers. Therefore, the original mark barely has any value in itself. It is the investment enclosed that is of importance. In this sense, selecting a distinctive mark that is different from those registered ones is not as fatal as was imagined before. Infinite numbers of marks could be nourished into valuable assets or even mythical status. When assessing ‘genuine use’ of infinite resources, competitors’ interests could be considered only to the minimum degree and therefore the threshold of ‘genuine use’ should be lowered.

\textsuperscript{90} Such as single colour trade marks, shape trade marks and sound trade marks.
6 Conclusion: Towards A Broader Interpretation of ‘Genuine Use’

For the above reasons, a broader interpretation of ‘genuine use’ fits the modern theory of trade marks better and it is justifiable. However, the enlargement of the scope of ‘genuine use’ should not paralyze the regime of use obligation itself. To combat with opportunism, token use shall nevertheless be excluded, where the definition of ‘token use’ is “artificial use designed solely to maintain the trade mark on the register”.

In Chinese trade mark system, a considerably literal interpretation of the rules requires the ‘genuine use’ we discussed here to be ‘legitimate’, ‘public’, ‘commercial’ and ‘genuine’. It shall preclude the use in bad faith, when ‘genuine’ tests the users’ intent. However, in practice, the assessment is quite objective based on a direct interpretation of the legal context, rather than looking into the real functioning of trade marks. As a developing system, the Chinese system is comparatively simple and there are relatively few binding rules. The European examples could be borrowed as reference for future legislators. At least, it was improper to impose the ‘legitimate’ requirement, which requires the proprietor, when using the trade mark, to ensure its behaviour complies with all effective rules.

In the European practice, the ECJ’s interpretation of ‘genuine use’ constitutes the predominant approach that should be applied. Being subjective, the approach sets no objective de minims rules for ‘genuine use’. To examine the intent of the user, this test precludes token use in the first place. Additionally, it was accepted that genuine use depends on an analysis of all facts and circumstances of each case. Examiners shall consider all these factors and ensure the use is consistent with the
trade marks’ functions. Being subjective, the test examines the intent of the use; meanwhile, additional tests might be carried out to ensure a genuine use is objectively operating the trade mark’s essential functions. In the current EU system, the basic function of trade marks as to distinguish goods and services is the indicator. In the opinion of the author, an enlargement of the functions is necessary. Modern trade marks have already become investment vehicles for proprietors. If investment is recognized, trade marks’ valid function is proved. Surely, opportunistic stockpiling is not to be recognized as an investment, and it should have already been excluded on the first stage of the test.

Legislations should accommodate the development of the modern society. In summary, as long as the use is above some bottom line, which is drawn to maintain the meaningful existence of the use obligation, a broader interpretation of ‘genuine use’ should be adopted by practitioners.
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