



**Legal consequences of providing false or forged evidences in non-use cancellation cases and  
advises on maintenance of the registration of trademarks**

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Chinese trademark office received 5.748 million trademark applications in 2017, and the accumulative applications and registrations was even a huge number. Due to the existence of a large number of prior trademarks, the number of trademark applications rejected and partially rejected is huge. A total of 1.595 million trademark registration applications were rejected or partially rejected in 2017.

In order to overcome the cited marks, many applicants choose to take non-use cancellation actions against the cited marks which meet the requirement of non-use for 3 consecutive years. The Trademark Office received 57,000 applications for cancellation against registered trademarks based on non-use for 3 consecutive years (hereinafter referred as “non-use cancellation case”), increasing 43.19% year on year. It can be predicted that the number of non-use cancellation cases will continue to increase in future.

According to the provisions of the Trademark Law, the registrant shall submit use evidence formed during a required period upon receiving the notification of providing use evidence from the Trademark Office, in order to maintain registration. However, under the circumstance that the registered trademark is actually not used, some registrants are unwilling to face the result that the registered trademark will be cancelled, and provide false or forged evidence, with little knowledge of the legal consequences of providing false or forged evidences.

I. The legal purposes of non-use cancellation system



It is prescribed in paragraph 2 of Article 49 of Trademark Law that “*where a registered trademark has not been used for an uninterrupted period of three years without justified reasons, any entity or individual may request the Trademark Office to cancel the registered trademark.*”, which serves as the legal basis for filing non-use cancellation.

According to Article 4 of Trademark Law, “*any natural person, legal person or other organization, intending to acquire the exclusive right to use a mark for his goods or services in his production and business operations, shall apply for registration of the mark to the Trademark Office. Provisions in this Law concerning trademarks used on goods shall apply to service marks.*”

Although China is a country that applies a system of acquiring trademark rights through registration, it can be seen from the aforementioned provisions that trademarks are closely related to production and business activities. The purpose of trademark registration is to use the trademark on the goods or services. Use is the primary significance of a trademark. In order to urge the applicant to actually use the trademark and clear up the idle trademark resources, Trademark Law has established cancellation system of non-use for 3 consecutive years. However, in practice, in the absence of a use requirement, there are often many registered trademarks that are not used, as is the case in all countries. Theoretically, a trademark can be designed with single or combination of various elements such as Chinese characters, foreign letters, figures, numbers, etc., and the possibilities of combination are limitless. However, trademark resources are actually limited since there are a number of requirements for designing a trademark, such as being simple and easy to remember, catchy, and having good image, etc. It is not easy to create a good trademark and successfully obtain registration, especially when a huge number of prior trademarks exist. The non-use cancellation system is actually a counterbalance to the system of acquiring exclusive trademark right through registration, a means to urge registrants to actually use the trademark and a result of balancing the interests of all parties.

According to the provision of Article 49 of Trademark Law, any entity or individual may request the Trademark Office to cancel a registered trademark when its registration exceeds 3 years. In practice, the



applicant of non-use cancellation has only the burden of proof to prove preliminarily that the trademark is not actually used in the market. Such preliminary proof could be result of internet search and on-site investigation. In fact, even if there is no search or investigation, just claiming that there is no use, the applicant can successfully file a non-use cancellation application to the Trademark Office. (This is only to state the practical situation, not to discuss whether it is reasonable.) The trademark registrant has the duty to prove true, effective and open use of the trademark to the trademark examination authorities during the required period (three years before the application date of non-use cancellation). If the registrant is unable to provide evidence to prove the use of the registered trademark during the required period, the registered trademark will be cancelled.

## **II. Legal consequences of providing false or forged evidences**

It is not uncommon in practice for registrants to provide false or forged use evidence in the case in order to avoid the result that their registered trademark is to be canceled. However, from a number of non-use cancellation cases handled by the authors and the authors' firm, never have the Trademark Office and the Trademark Review and Adjudication Board (hereinafter referred to as "TRAB") imposed any penalties on the registrant when false or forged use evidence provided by the registrant was pointed out by the applicant of non-use cancellation or found by the trademark examination authority itself. The Trademark Office and TRAB had only made decision and cancelled the registered trademark based on that the evidence was ineffective.

Article 66 of Implementation Regulations of Trademark Law prescribes that "*where the evidential materials of trademark use are not submitted within the stipulated period or the evidential materials are invalid without justified reason, the trademark office shall cancel the registered trademark.*" However, there is no provision of the legal consequences where registrants provide false or forged evidence. It feels as if no legal punishment will be given for providing false or forged evidence in non-use cancellation cases.

In fact, Chinese law has clear regulations on the legal consequences of providing forged evidence.



Article 59 of Administrative Procedure Law stipulates that, “*where a litigation participant or any other person commits any of the following conduct, a people's court may, according to the severity of the circumstances, reprimand the person, order the person to sign a personal statement of repentance, impose a fine of not more than 10,000 yuan on the person, or detain the person for no longer than 15 days; and if the conduct constitutes a crime, the offender shall be subject to criminal liability according to the law: (2) Forge, conceal, or destroy evidence or provide false evidential materials to obstruct the trial of a case by a people's court.*”

Beijing Higher People's Court gave its opinion in respect of the examination of registered trademark which has not been in use for 3 consecutive years in *Several Noteworthy Legal Issues in Current Intellectual Property Trials*, which is, “*if part of the evidence provided by the trademark registrant is forgery, all the evidence shall be strictly examined, the standard of proof shall be raised accordingly, and penalties for forging evidence shall be imposed to warn others.*” Although the above content is not a judicial interpretation, Beijing Higher People's Court, as the final court for the trial of administrative case of trademark non-use cancellation, its opinion obviously represents the mainstream view in judicial trial.

In the administrative lawsuit regarding the review of the cancellation against the trademark "Mount Everest (in Chinese characters)" No. 5210371 handled by the authors (the authors represented the applicant of non-use cancellation who was the third party in the first instance of the administrative lawsuit), Beijing Intellectual Property Court ruled in the first instance judgment that, “among the processing contracts submitted by the trademark registrant, the part of brand in three contracts was covered, and the space left after covering was obviously not enough to fill in the trademark involved. After inquiry, the plaintiff did not give reasonable explanations to the Court. Consequently, the Court held that the plaintiff is suspected of forging important evidence in the case, and this part of evidence provided by the plaintiff shall not be admitted, and other evidential materials submitted by the plaintiff shall be examined by a stricter standard than the general standard.” Beijing IP Court reprimanded the plaintiff's attorney for the allegedly forged evidence provided by the plaintiff during the trial and asked the attorney to convey the court's reprimand to the plaintiff. Beijing



Higher People's Court also recognized the above findings and judgments made by Beijing IP Court.

In the administrative lawsuit regarding the review of the cancellation against the trademark “Gotop (in Chinese characters)” No. 4305050, Beijing IP Court found that: *the original sales contract of Gotop branded electronic components between Shanghai Gotop Semiconductor Co., Ltd and Shenzhen Ruirong Industrial Co., Ltd, submitted by the trademark registrant, Shanghai Gotop Semiconductor Co., Ltd, in order to prove its effective and commercial use of the trademark “Gotop” on the service items “computer software design, computer software maintenance” during August 12<sup>th</sup>, 2010 to August 11<sup>th</sup>, 2013, is inconsistency with the photocopy of the sales contract submitted in the administrative proceeding. Specifically, the trademark “Gotop & device” was absent in original contract while appeared in the photocopy. Shanghai Gotop Semiconductor Co., Ltd failed to give a reasonable explanation. Therefore, this Court ruled that Shanghai Gotop Semiconductor Co., Ltd. committed the act of forging evidence, which seriously hampered administrative litigation. According to the provisions of the Administrative Procedure Law aforementioned, **Beijing IP Court ordered Shanghai Gotop Semiconductor Co., Ltd to pay a fine of RMB 10,000.***

It can be clearly seen that, providing false and forged use evidence in non-use cancellation case will not only lead to stricter examination of all the submitted evidence, but may also bring more serious legal consequences, including reprimand the person, order the person to sign a personal statement of repentance, impose a fine of no more than 10,000 yuan on the person, or detain the person for no longer than 15 days; and if the act constitutes a crime, the offender shall be subject to criminal liability according to the law. Beijing IP Court had reprimanded the registrants who provided false and forged evidence in several administrative litigation cases regarding the review of non-use cancellation cases, and adopted stricter standards in the examination of evidence.

However, as the aforementioned regulations are formulated for evidences in the administrative litigation, some trademark registrants may take chance and consider they will only face such serious legal consequence until the case is entering administrative litigation proceedings, while the cost and risk is low when the case ends in the administrative proceeding due to lack of penalty mechanism in that



phrase. However, there is indeed applicant who has need to clear a registered trademark for his own registration would often use up all possible remedies. Therefore, the trademark registrant has no control of stopping the proceedings of non-use cancellation case at administrative proceeding. And as the foregoing cases show, in the recent judicial practice, the court's examination on the evidence has become stricter, and the penalties for forging evidence have also increased. It is absolutely not a good idea to take risks to provide false and forged evidence to maintain registration of a trademark.

### **III. Advises on maintaining trademark registration**

In the non-use cancellation cases, the key point to maintain a trademark registration is to provide true, valid, and open trademark use evidence formed during the required period. Under the situation that the registered trademark has not been used and the registrant is unable to provide use evidence, it is not feasible to provide false and forged evidence, which will bring serious legal risks to the registrant, if the registrant wants to maintain the trademark registration for some reasons (such as not in use, but may be used in the future, etc.). In particular, the non-use cancellation case involves also the applicant who starts the cancellation case. False and forged evidence could never be flawless. Even if the Trademark Office or TRAB does not point out the problem of false and forged evidence in the administrative proceeding, when entering litigation procedure, the applicant of non-use cancellation is very likely to point out such problem.

As for the trademark which has not been actually used but the registrant wishes to maintain its validity, the authors suggest to re-file registration application for the same trademark as soon as possible, meanwhile try the best to negotiate with the applicant of non-use cancellation to persuade him or her to withdraw the non-use cancellation application by offering coexistence of trademarks. The effect and approach of withdrawing a cancellation case varies in different stages, as follows in details:

#### **1. Non-use cancellation procedure at Trademark Office**

The registrant has 2 months to adduce use evidence upon receiving notification for providing evidence from Trademark Office. As for a registered trademark which is not in use, the registrant may take



advantage of this period and the period before the decision is made by Trademark Office to contact the applicant of non-use cancellation and negotiate trademark coexistence.

The applicant of non-use cancellation may be interested in trademark coexistence for the following reasons: (1) The cancellation application as well as the subsequent procedures is time consuming and costly; (2) non-use cancellation case is generally not an independent case. It is often filed when the applicant's own trademark application is rejected for registration by Trademark Office due to the existence of a cited mark. The trademark registrant can resubmit a new trademark application immediately upon receiving the notification of providing use evidence from the Trademark Office. Due to the lengthy follow-up procedures, the new trademark application is very likely to be approved for registration. Before the registrant's prior trademark is actually cancelled, it will always be an obstacle for registration of the non-use cancellation applicant's trademark; (3) Legal procedures are time consuming and laborious, but market opportunities may be fleeting. Obtaining trademark registration as soon as possible is beneficial to the applicants of non-use cancellation to seize opportunities, expand the market, and develop and strengthen themselves.

**When the parties reach coexistence agreement in this stage, the applicant of non-use cancellation can withdraw the non-use cancellation case, the Trademark Office will close the case and the registration of the trademark is maintained.**

Our firm helped clients (trademark registrants) reach coexistence agreement with the applicant of non-use cancellations in several cases, and successfully maintained the clients' registered trademarks after the applicants withdrew the non-use cancellation applications.

## **2. Review of non-use cancellation at the TRAB**

If the coexistence agreement is not reached in the aforementioned stage, the registrant may appeal to the TRAB upon receiving the cancellation decision issued by the Trademark Office. If the trademark coexistence agreement is reached in the review stage, under such circumstance, **the applicant of**



**non-use cancellation (the respondent of the review case) may issue a declaration to the registrant, stating that he or she has decided to waive and withdraw the non-use cancellation application and agrees with the maintenance of registration of the registered trademark. The declaration should be submitted to the TRAB.** With such a declaration, the TRAB is much more flexible in the examination of the use evidence. If the registrant can provide some use evidences, even if they are not sufficient, the chances for the TRAB to maintain the registration of the trademark is greatly increased based on such a declaration.

Our firm also assisted client in reaching a coexistence agreement with the applicant of non-use cancellation in the review procedure, and successfully maintained the registration of the client's trademark based on a declaration made by the applicant of non-use cancellation.

### 3. Administrative Litigation Proceeding

If a trademark coexistence agreement is reached at the litigation stage and submitted to the court, **currently the court held that such evidence has no connection with the case and it will not be taken into consideration because it is the legitimacy of the sued decision that is for examination in the litigation.** In the administrative litigation regarding the review of the cancellation against the trademark No. 4676689, the plaintiff (appellant), SS SEIYAKU KABUSHIKI KAISHA (SSP CO., LTD.) (hereafter referred to as "SSP company") reached a trademark coexistence agreement in first instance with the third party (the applicant of non-use cancellation), Beijing Zhongmaocu Business Consulting Center, and the plaintiff submitted the written consent of trademark coexistence to the Court. However, Beijing IP Court held that **the lawsuit is aimed to examine the legitimacy of the sued decision, and the fact that SSP company has reached a settlement agreement with Beijing Zhongmaocu Business Consulting Center which also has submitted the withdrawal application of the non-use cancellation has no connection with the hearing of this case, therefore, this court decided not to support SSP company's request of suspending the trial of the case.** Beijing Higher People's Court also supported the aforementioned views of the court of first instance in the second instance.





Therefore, if the parties intend to resolve the dispute through trademark coexistence agreement, it should be carried out at the procedures of Trademark Office and the TRAB.

Reference Material:

1. 2017 Annual Report on the Development of Chinese Trademark and Brand Strategy (<http://sbj.saic.gov.cn/sbtj/201805/W020180513829986812509.pdf>)
2. Administrative Judgment (2016) Beijing 73 Administrative First No. 4892
3. Administrative Judgment (2017) Beijing Administrative Final No. 4118
4. Administrative Judgment (2016) Beijing 73 Administrative First No. 1672
5. Administrative Judgment (2015) Beijing IP Administrative First No. 3126
6. Administrative Judgment (2016) Beijing Administrative Final No. 3698