

# The Acquisition of Trademark Right

**I. Whether the trademark rights are acquired through registration or use? How to protect the prior-used trademarks in the system of acquisition-through-registration?**

**Question 1: Whether the trademark rights are acquired through registration or use?**

In a global scope, obtaining a trademark right through use or through registration are two major legislative models of system for the grant of trademark rights. The “use” model is based on the objective facts of trademark use, and decides the ownership of a trademark according to the time that the trademark was first used. While the “registration” model grants trademark rights according to registration and the first applicant will obtain the trademark right.

In history, the earliest trademark legislations all took “use” principle, for instance, the first statute of trademark-*Law of Manufacturing Signs and Trademarks concerning the Content of Use and Non-examination Principle* enacted by France in 1857 took the “use” model. However, since there are many defects of the “use” principle, France abandoned this principle which was already implemented for more than one hundred years in 1964 and shifted to adopt the “registration” model which was

succeeded by the current *Code of Intellectual Property*. Article 712-1 of the code provides: “trademark rights shall be obtained through registration”. In modern society, the United States is the representative state that still insists on the “use” principle. The legislative basis that the U.S. congress used to enact the Trademark Law is the “trade provision” in the Constitution, namely Section 8 of Article 1 of the *Constitution of the United States of America*: “To regulate commerce with foreign nations, and among the several states, and with the Indian tribes”, thus in U.S. the use of a trademark in the course of trade between states is a prerequisite for the trademark right. This determines the doctrine of use has been deeply rooted in the U.S. Trademark Law. So far, the trademark grant systems in the world have been divided into the France represented “registration” model and the US represented “use” model.

In terms of system design, the two models both have advantages and disadvantages. The disputed points focus on four basic issues:

First, legitimacy of the generation of the right. As the earliest model of trademark grant, the “use” principle had its rationality as it confirmed with the nature of the trademark. In essence, the value of a trademark is not the mark itself but the reputation accumulated by the mark. The relationship between the mark and the goods or services is “phenomenon” and “noumenon”. Only by actual use, “phenomenon” and “noumenon” can be unified. Otherwise the unused mark is only a pure symbol but not

the trademark in the sense of substantial meaning. Only under the “use” principle, the generation of the trademark right gets the basis of legitimacy. In comparison, the “registration” principle may violate the nature of the trademark and protect a registered trademark without any connection with commercial activities, which cuts off the connection between the trademark and its origin of value, thus causes that the trademark right has “phenomenon” without “noumenon” and degraded into a pure right of symbol.

Second, the probative force of the right acquisition. If the trademark was obtained through use, the right owner shall establish that he was the prior user when a dispute happens, which brings about the difficulty of providing proof because the prior user may not be able to prove his right. If the “registration” principle is adopted, the right owner’s establishment will be very simple since registration is the method of publication and the right owner does not have to preserve the evidence of prior use effortlessly.

Third, the stability of ownership. Since the publication effect of use is far less than registration as the trademark user cannot find out whether there is a prior user; once a right dispute happens, the legislative model which adopted the “use” principle will certainly cause the damage of goodwill that one party invested in the trademark. Under the “registration” model, registration is an approach of publication, so the one

who wants to use a trademark can conduct a search to avoid conflicts with other people's use. Furthermore, because the "registration" model deny that the use can generate a trademark right, the registrant does not have to worry about the third party will claim for rights against him, then he can take it easy to invest capital and operation to build up goodwill.

Fourth, the scope of right effect. Under the "use" model, the effect of trademark right is limited in the area of actual use. In this modern society with extremely well-developed commodity circulation, if there are several identical or similar trademarks in different areas, it is easy to cause confusion on the market. Whereas according to "registration" principle, trademark rights based on registration are in effect nationwide but not limited to the area of actual use, which can avoid the co-use of several identical or similar trademarks in one country.

The above four basic issues essentially reflect the contradiction between "justice" and "efficiency". The system design of every country's Trademark Law all address to the difficult option and choice between the two values of "justice" and "efficiency". If "justice" prevails, the doctrine of use will be adopted. On the contrary, the "registration" principle is accepted since it is more efficient and operational. Our current Trademark Law adopts an almost absolute "registration" model, which can be testified by Article 3 and Article 4 of *Trademark Law of PRC*.

Such almost absolute "registration" model not only lacks sufficient

legitimacy in legal theory, but also is likely to induce the person with bad faith to abuse this principle and commit unfair competition in practice. On the one hand, the person with bad faith registers numerous trademarks of other people in advance to preclude other people's use. On the other hand, he/she does not use registered trademarks for a long time and is simply addicted to occupying resources, which caused many junk trademarks. As a result, our trademark grant system should be adjusted from both the hardware and software aspects.

First, to protect the justice value of the Trademark Law. The trademark legal system targets at building a fair and orderly market to prohibit unfair competition acts of confusing the origin of goods and services. The emergence of trademark originates from commercial moral of good faith and the guarantee of liabilities for market trade. System design and the establishment of norms should follow such purpose of the Trademark Law. As a result, our Trademark Law shall not entirely exclude "use" principle. Even the trademark is not registered, it should be admitted and protected if it carries goodwill in use, which can guarantee good business order and trade rules, thus embodies the core value of Trademark Law i.e. maintaining and pursuing justice.

Second, using the actual use as the real basis for the formulation of trademark value. Laws regulate the social relationships; social relationship is primary, while laws are secondary. In the primary sense, a

trademark right arises from the market trader's actual use of the mark, which is protected by law because of the goodwill it accumulates. Only through actual use, "phenomenon" and "noumenon" can be integrated. In legal theory, only actual use is the real basis for the formulation of trademark value and the only way to obtain trademark right. The unused mark which was only registered as a trademark cannot be deemed as a real trademark, not to mention the trademark right. The right enjoyed by the registrant is a right to put the registered mark and the goods or services it covered on the market and prohibit other people to make the same connection. Such right is not the trademark right in the substantial sense. The substantial trademark right can only be obtained by actual use not by registration.

Third, using the trademark registration as the proof of right ownership. Trademark right is a civil right, and the trademark examination and registration is an identification of civil right in nature and a method of publication, but not a administrative behavior to grant privilege. The registry's examination and approval is not to grant a right owner a right that he does not have, but to confirm a right he already owned legally, that is identification. Such practice confirms with the custom of modern society. The generation of a right comes from the government authority's examination and admission indicates this right is lawful and do not conflict with third party's rights or interests; not only

does it reflect the importance that the state put on this kind of rights and the social relationship it contained, is also does reflect the state's determination of protecting such kind of rights, and is finally able to demonstrate that the state use administrative measures such as official records and issuing statutory evidence which does not need to be proved to establish the legitimacy of such right.

To sum up, mere registration without use is only the trademark in the formal sense. Only when combing a trademark and the goods or services it covers and put them on the market for trade, can a registered trademark be transformed into the trademark in substantial sense and also a real civil property. Moreover, only such substantial trademark is the real protective objective of law.

**Question 2: How to protect the prior-used trademarks in the system of acquisition-through-registration?**

Trademark registration is the publication procedure of obtaining a trademark right. It is the identification but not grant of a right. Therefore according to the basic theory and principles of civil law, only use but not register a trademark does not violate laws. Unless there is a special provision in law, the civil behavior of using an unregistered trademark is legal. Interests arise from a legal civil behavior are also legal. Legal interests are certainly protected by laws. The establishment of the trademark registration system is just to improve the efficiency, operability

and practicality through setting up a mechanism of searching, identifying and publishing trademarks, in order to keep the marks of different marketers compatible and harmonious. However, it does not mean that a trademark is illegal if it was not registered. As the legal system regulating social relationships arising from the demonization of trademarks, the Trademark Law naturally deals with both the relationships generating from registered trademarks and the legal problems caused by unregistered trademarks. No doubt that the legal status of registered trademarks and unregistered trademarks should have some differences. On the one hand, the Trademark Law should encourage people to register trademarks as many as possible to reduce disputes, save social resources and make the trademark undisputedly protected by law. It is the programmatic and leading function of the Trademark Law. On the other hand, the justified rights and interests of unregistered trademarks should also be admitted and appropriately protected to guarantee the good business order and trade rules, and reflect the core value of Trademark Law as a civil legal system which pursues and maintains justice.

Thus the prior used trademark can be protected under the framework of the Trademark Law, with the supplement of Anti-unfair Competition Law. If the prior used trademark already established certain market reputation by use, other person's registration or use may be liable to be identified as unfair competition, so relevant provisions of Anti-unfair



Competition Law can be applied.

**II. In the system of acquisition-through-registration, are trademark applications examined under all-around grounds or only limited to absolute grounds? How to handle the relationship of registered trademarks and prior rights?**

**Question 1: In the system of acquisition-through-registration, are trademark applications examined under all-around grounds or only limited to absolute grounds?**

The examination of trademark registration only needs to focus on “absolute grounds”, and the reasons are as follows:

First, it confirms with the private nature of the trademark right. Under conditions of market economy, private rights are bases and purpose, while public powers are supplements and measures. Trademark registration is a service provided for trademark right through the measure of public power. Since trademark right is a private right and the use of a trademark is the legal fact in civil law, the regulation of it should be based on principles of private law. In general, private law only denies the effect of those behaviors which violate the mandatory provisions of laws and regulations or are detrimental to public interests and good morals. All the other disputes between private rights are left to right owner’s free negotiation and resolution, and laws will not interfere in, which is the

reflection of the autonomy idea of private law. Therefore, the examination of “relative grounds” stipulated by the Trademark Law actually is using the public power as the “bodyguard” of private rights, is the abuse of public power, and should be corrected as soon as possible.

Second, it confirms with the basic purpose of civil rights. A western legal proverb says: “the law will not protect a sleeper on his right”. The creation of a civil right is to urge the right owner to exploit his right in time, clarifying legal relationships immediately and “endow rights to those people who perish them most”. (Posnor) For those who have a negative attitude on their rights, they will bear the punishment of losing their rights after certain period of time (for instance our Trademark Law has a 5 year time limitation for the prior right owners’ claim). As one kind of private rights, the trademark right should also reflect such purpose. The examination of “relative grounds” violates such philosophy, not conforming to the passive and neutral requirements of law, and probably interferes with the parties’ autonomy, so is much harmful to the harmony and stability of social order.

Third, it confirms with the actual situation of trademark examination. The trademark registration follows the principle of volunteer registration. Registration is neither the pre-condition that a trademark be used on the market, nor the premise for a trademark to obtain legal protection. In addition, although our Trademark Law provides that a trademark can only

continuously exist in use, it does not require that the applicant should provide the effective evidence of actual use after the registration in certain time limit and it does not require providing the proof of use in the renew procedure either. This caused a lot of invalid and junk trademarks in our registration system. Therefore the trademark information mastered and searched by the trademark registry is not necessary “intact” in number and “true” in quality. Under such conditions, even if we insist on the examination of “relative grounds”, the effect will certainly not be good.

Fourth, it can improve the efficiency of trademark examination. The cycle time of our trademark examination is about 17 months, while the corresponding average cycle time of U.S. trademark examination in 2006 is 15.5 months, and the average cycle period of Japan in 2005 was already reduced to only 6.6 months. If we cancel the examination of “relative grounds”, the work burden of trademark examination will be largely relieved and the efficiency will be obviously improved.

## **Question 2: How to handle the relationship of registered trademarks and prior rights?**

It can be analyzed from the following three aspects:

First, define the meaning of “prior rights”. There is no definite provision of the concept of “prior rights” in Trademark Law,

Implementation Regulations of the Trademark Law and Supreme Court's judicial interpretations. From the view of the original meaning of the concept, "prior rights" correspond with "later rights", and the difference between them is the early or late time that the right was generated. However, the prior and later rights should be originated from the same object, while the rights can be obtained according to the same law or different laws. Therefore, to avoid the improper interpretation of "prior rights", avoid the formulation of erroneous area of "prior rights", and prevent the abuse of "prior rights", we should define the meaning of "prior rights" as soon as possible.

Second, mark off the boundaries of "prior rights". Using the object of "prior rights" as a trademark is a change of quality in using method and legal nature. In using method, it transfers the object of other rights to a commercial mark, which has an alternation of function. In legal nature, it shifts from former legal relationship to the relationship of trademark property right, which is beyond the domination and control of the prior right owner. The new using method based on this mark formulates new property relationship or property right-trademark right. Compared with prior rights, it is also a quality change. Under this premise, the utilization of the object of prior rights has no relationship with "prior rights" and does not contain the prior right owner's interest as long as it does not beyond the scope of trademark use.

Third, define the content of “damage”. Besides defining the meaning of “prior rights”, it is necessary to determine the content of “damage” in law before we apply the “prior rights” article. It should be clarified that whether this “damage” refers to the “damage” caused by the application of trademark registration or also include the “damage” caused by the use of trademark after the registration.