SPC Guiding Case No. 162: Chongqing Jiangxiaobai Wine Co., Ltd. v. China National Intellectual Property Administration (Administrative Dispute over Trademark Invalidation; Third Party: Chongqing Jiangjin Distillery (Group) Co., Ltd.)

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

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Keywords

Administrative / invalidation of trademark rights / distribution relationship / the principal's trademark

Holding

Where the parties have simultaneously entered into a sales contract and a customized product sales contract, and although a distribution relationship exists, the trademark design, product design, and other elements in issue were all proposed by the agent, and the customized product sales contract clearly stipulates that the principal may not use the product concept, advertising language, and other elements of the customized products without the agent's authorization, then, in the absence of any prior use by the principal, the trademark in issue cannot be found to be "the principal's trademark" as referred to in Article 15 of the Trademark Law.

Basic Facts

In the administrative dispute over the invalidation of trademark rights between Chongqing Jiangxiaobai Wine Co., Ltd. ("Jiangxiaobai Company"), the China National Intellectual Property Administration, and Chongqing Jiangjin Distillery (Group) Co., Ltd. ("Jiangjin Distillery"), the trademark in issue was the "Jiangxiaobai" trademark, No. 10325554, which was applied for registration on December 19, 2011 by Chengdu Geshang Advertising Co., Ltd., approved for use on alcoholic beverages in Class 33, and, upon approval, the right holder was successively changed to Sichuan Xinlantuo Trading Co., Ltd. ("Xinlantuo Company") and then to Jiangxiaobai Company.

Chongqing Jiangjin District Sugar and Wine Co., Ltd. (including affiliated units such as Jiangjin Distillery) and Xinlantuo Company (including affiliated units such as its various subsidiaries and offices) entered into a sales contract and a customized product sales contract on February 20, 2012. The customized product sales contract clearly stipulated that the products authorized to be sold by Xinlantuo Company were customized products of the "Jijiang"-brand series of liquor, and did not involve the "Jiangxiaobai" trademark; moreover, Article 1 of the customized product sales contract stipulated that "Party A (Jiangjin Distillery) authorizes Party B (Xinlantuo Company) to be the dealer of the customized products of the 'Jijiang-brand' Jiangjin Laobaigan 'Qingxiang No. 1, No. 2, and No. 3' series, the ultra-pure series, and the vintage series of liquor." Item 2 of Article 6 clearly stipulated that "Party B shall be responsible for the creativity of the product concept, the packaging design of the products, the planning and implementation of advertising and publicity, and the recruitment and maintenance of the secondary distribution channels of the products, and Party A shall give full cooperation. Party A shall respect Party B's product concept, packaging design, advertising patterns, advertising language, and market promotion planning schemes, and shall not, without Party B's authorization, use them on products sold directly by Party A or products sold by Party A's other customers."

In May 2016, Jiangjin Distillery filed a request for invalidation of the trademark in issue with the Trademark Review and Adjudication Board of the former State Administration for Industry and Commerce ("Trademark Review and Adjudication Board"). The Trademark Review and Adjudication Board held that, before the

application date of the trademark in issue, Jiangxiaobai Company should have known of Jiangjin Distillery's "Jiangxiaobai" trademark, and that the registration of the trademark in issue had constituted the circumstance, as referred to in Article 15 of the Trademark Law as amended in 2001 ("2001 Trademark Law"), of not being registered and being prohibited from use. It therefore ruled to declare the trademark in issue invalid. Jiangxiaobai Company, dissatisfied, brought an administrative lawsuit.

Judgment

The Beijing Intellectual Property Court rendered Administrative Judgment (2017) Jing 73 Xing Chu No. 1213 on December 25, 2017: 1. revoke the ruling of the Trademark Review and Adjudication Board, Shang Ping Zi [2016] No. 117088, on the request for invalidation of the "Jiangxiaobai" trademark, No. 10325554; 2. the Trademark Review and Adjudication Board shall re-render a ruling on the invalidation request filed by Jiangjin Distillery in respect of the "Jiangxiaobai" trademark, No. 10325554. The Trademark Review and Adjudication Board and Jiangjin Distillery, dissatisfied, appealed to the Higher People's Court of Beijing. The Higher People's Court of Beijing rendered Administrative Judgment (2018) Jing Xing Zhong No. 2122 on November 22, 2018: 1. revoke Administrative Judgment (2017) Jing 73 Xing Chu No. 1213 of the Beijing Intellectual Property Court; 2. dismiss the claims of Jiangxiaobai Company. Jiangxiaobai Company, dissatisfied, applied to the Supreme People's Court for retrial. The Supreme People's Court rendered Administrative Judgment (2019) Zui Gao Fa Xing Zai No. 224 on December 26, 2019: 1. revoke Administrative Judgment (2018) Jing Xing Zhong No. 2122 of the Higher People's Court of Beijing; 2. uphold Administrative Judgment (2017) Jing 73 Xing Chu No. 1213 of the Beijing Intellectual Property Court.

Reasoning

The Supreme People's Court held: the main focus of the dispute in this case was whether the application for registration of the trademark in issue violated Article 15 of the 2001 Trademark Law. Article 15 of the 2001 Trademark Law provides: "Where an agent or representative, without authorization, registers the trademark of the principal or the represented party in its own name, and the principal or the represented party raises an objection, the trademark shall not be registered and shall be prohibited from use." The trademark signs that an agent or representative may not apply to register include not only signs identical to the trademark of the principal or the represented party but also similar signs; the goods that may not be applied for registration include not only goods identical to those on which the trademark of the principal or the represented party is used but also similar goods. In this case, Jiangjin Distillery claimed that Xinlantuo Company was its distributor, that Xinlantuo Company designed the trademark in issue for it, and that it had used the trademark in issue first, and therefore the application for registration of the trademark in issue violated Article 15 of the 2001 Trademark Law.

First, the evidence provided by Jiangjin Distillery was insufficient to prove that it had used the trademark in issue first. The vast majority of the evidence claimed by Jiangjin Distillery to prove its prior use of the trademark in issue was evidence formed after the application date of the trademark in issue; the evidence relating to conduct before the application date of the trademark in issue included the sales contract between Jiangjin Distillery and Chongqing Sen'ou Liquor Sales Co., Ltd. ("Sen'ou Company"), product delivery notes, and audit reports. The sales contract between Jiangjin Distillery and Sen'ou Company had already been submitted in the opposition review procedure of the trademark in issue, but was not accepted by the Trademark Review and Adjudication Board because it did not reflect Sen'ou Company's signature and seal and lacked corroboration from invoices and other evidence. Although the sales contract submitted by Jiangjin Distillery in this case bore Sen'ou Company's official seal, the signing date shown in the contract was earlier than the establishment date of Sen'ou Company shown in the industrial and commercial archives, and Jiangjin Distillery also acknowledged that the signing date of the contract was backdated. According to the handwriting appraisal opinion issued by Beijing Shengtang Judicial Appraisal Institute, submitted by Jiangxiaobai Company as retrial evidence, the authenticity of the handwriting of the preparer on the delivery notes issued by Jiangjin Distillery to Sen'ou Company was questionable, and there was no

corroboration from invoices or other evidence; therefore, the above evidence could not prove that Jiangjin Distillery had used the trademark in issue first. Jiangjin Distillery submitted an audit report as evidence of prior use after the first-instance court opened the hearing. However, in the absence of the original accounting vouchers, merely relying on the mention of “Jiangxiaobai” liquor in an audit report prepared after the fact at Jiangjin Distillery’s commission was insufficient to prove that Jiangjin Distillery had used “Jiangxiaobai” before the application date of the trademark in issue. In addition, the contract submitted by Jiangjin Distillery for the purchase of “I am Jiangxiaobai” bottles from Chongqing Baoxing Glass Products Co., Ltd., signed on February 15, 2012, had an amount of RMB 690,000, far higher than the sales and gross profit recorded in the audit report, which further indicated that the authenticity of the audit report could not be confirmed.

Second, although Jiangjin Distillery and Xinlantuo Company had a distribution relationship, the customized product sales contract between the parties also stipulated that the rights in the product concept, advertising language, and other elements of the customized products belonged to Xinlantuo Company. In the trademark invalidation and first- and second-instance stages, the main evidence provided by Jiangjin Distillery to prove its distribution relationship with Xinlantuo Company was the sales contract and the customized product sales contract entered into by the parties on February 20, 2012. The customized product sales contract clearly stipulated that the products authorized to be sold by Xinlantuo Company were customized products of the “Jijiang”-brand series of liquor, and did not involve the “Jiangxiaobai” trademark, and it clearly stipulated that Jiangjin Distillery should respect Party B’s (Xinlantuo Company’s) product concept, packaging design, advertising patterns, advertising language, and market promotion planning schemes, and should not, without Party B’s authorization, use them on products sold directly by Party A (Jiangjin Distillery) or products sold by Party A’s other customers. In sum, it should be held that Jiangjin Distillery did not enjoy intellectual property rights over the product concept, advertising language, and other content of the customized products other than “Jijiang,” and this also showed that Xinlantuo Company’s application for registration of the “Jiangxiaobai” trademark did not harm Jiangjin Distillery’s rights. The evidence in this case was insufficient to prove that the trademark in issue was Jiangjin Distillery’s trademark, and therefore it could not be found, based only on the above evidence, that the application for registration of the trademark in issue violated Article 15 of the 2001 Trademark Law.

Finally, the evidence such as the email correspondence between Jiangjin Distillery and Xinlantuo Company during their cooperation proved that the name “Jiangxiaobai” and the related product design were first proposed by Tao Shiquan, the then legal representative of Xinlantuo Company. According to the relevant evidence submitted by Jiangxiaobai Company to the court, it could be proven that “Jiangxiaobai” and its related product design were first proposed by Tao Shiquan and provided to Jiangjin Distillery, and according to the customized product sales contract between the parties, the rights in the product concept and design belonged to Xinlantuo Company. The existing evidence was insufficient to prove that Xinlantuo Company designed the trademark for Jiangjin Distillery.

In sum, before the application date of the trademark in issue, the “Jiangxiaobai” trademark was not Jiangjin Distillery’s trademark; according to the customized product sales contract, Jiangjin Distillery did not enjoy intellectual property rights over the product concept, advertising language, and other content of the customized products other than its registered trademark “Jijiang,” and Xinlantuo Company’s application for registration of the trademark in issue did not infringe Jiangjin Distillery’s lawful rights and interests and did not violate Article 15 of the 2001 Trademark Law.

Relevant Legal Provisions

Article 15 of the Trademark Law of the People’s Republic of China.

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