



# The Trademark Prosecution Review

2024

**Specialist Chapter: Letters of Consent  
in Chinese Prosecution Procedures**

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# Specialist Chapter: Letters of Consent in Chinese Prosecution Procedures

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## Summary

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## IN SUMMARY

Letters of consent submitted in prosecution procedures are not only a legal issue, but also concern the consumer protection and the economic interests of the related entities. Owing to China's change of business mode from high-speed growth to high-quality development, the China National Intellectual Property Administration (CNIPA) is now changing its attitude to letters of consent in prosecution procedures. Since October 2021, the CNIPA has gradually tightened its acceptance of letters of consent in trademark refusal review cases. The examiners of the CNIPA confirmed this change during the on-site Q&A session at the Dongguan Trademark Festival in June 2023. Trademark applicants need to pay attention to this change and find feasible solutions when a refusal notification is issued.

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## DISCUSSION POINTS

- Basic information on trademark coexistence and trademark coexistence agreements
  - The development of letters of consent in prosecution procedures in China
  - Review cases involving letters of consent
  - Conclusion and future feasible strategies
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## REFERENCED IN THIS ARTICLE

- Guidelines for the Administrative Trial of Trademark Granting and Verification Cases
- CNIPA's Annual Report 2022

Whether letters of consent or trademark coexistence agreements are accepted and recognised in trademark refusal review cases has been a hot topic of discussion in China. China adopts the first-to-file principle and conducts relative ground examination. Owing to the surge in trademark applications in recent years, the total number of valid trademarks in stock has reached more than 40 million; such a large number of valid registrations makes it difficult to smoothly register a new trademark. According to CNIPA's Annual Report 2022, among all the trademark applications filed in 2022, only 52% of the trademark applications passed preliminary examination, whereas 14.4% were partially rejected and 33.6% were totally refused.<sup>[1]</sup> In the overall 48% rejection, a large portion was rejected owing to other parties' prior identical or similar marks. If a trademark is rejected because of a prior identical or similar trademark, is it still possible to consider the approach of obtaining a letter of consent from the prior right holder to support the review arguments that the trademarks will not cause confusion in the public, in order to obtain registration in the refusal review procedure?

As far as past practice is concerned, letters of consent have been accepted in quite a large number of the refusal review cases and successfully helped many applicants register trademarks. However, since October 2021, the CNIPA has gradually accepted fewer letters of consent (or coexistence agreements) in trademark refusal review cases. At the Dongguan Trademark Festival in June 2023, the examiners of the CNIPA held an on-site Q&A session, during which the examiners confirmed that this is the case. It is foreseeable that in future

prosecution cases, the examination of consent letters will be more stringent and the letters will be less likely to be accepted.

In this article, the author predicts the development of the trend of letters of consent in China by analysing the basic information and development history of letters of consent in China, as well as giving examples of the contrary adoption of letters of consent in some review cases, to help trademark applicants better plan their trademark strategies in China in the future.

## **BASIC INFORMATION ON TRADEMARK COEXISTENCE AND TRADEMARK COEXISTENCE AGREEMENTS**

With regard to trademark coexistence, the World Intellectual Property Organization (WIPO) defines that “Trademark coexistence describes a situation in which two different enterprises use a similar or identical trademark to market a product or service without necessarily interfering with each other’s businesses.”<sup>[2]</sup> In the case of coexistence of trademarks, trademarks belong to different entities, rather than being jointly owned by two entities.

The coexistence of trademarks is due to the fact that trademarks, as a kind of identification symbol, have relatively certain and limited numbers. Through the arrangement and combination of different elements, the same and similar trademark symbols will inevitably appear. The trademark right itself is a kind of exclusive right. To avoid the loss caused by the similarity of trademarks, the right owners often have to sign a trademark coexistence agreement between two or more parties within the scope that they think will not cause confusion.

Regarding trademark coexistence agreements, the International Trademark Association (INTA) defines that:

A coexistence agreement is an agreement by two or more persons that similar marks can coexist without any likelihood of confusion; it allows the parties to set rules by which the marks can peacefully coexist. Both parties are permitted to use the same mark in connection with the same or similar goods or services. Usually the agreement is limited by geographic boundaries.<sup>[3]</sup>

A trademark coexistence agreement is a declaration document issued by the right holder of a prior registered trademark for another entity, agreeing to the coexistence of the two parties’ marks. In practice, a trademark coexistence agreement is used as important evidence in refusal review cases where the applicant submits to the examiners and judges to overcome the obstacle of prior trademark rights.

After the cited trademark right holder issues the coexistence agreement, it is deemed as a certain concession of the protection scope of its own trademark right. According to Article 15.12 of the Guidelines for the Administrative Trial of Trademark Granting and Verification Cases issued by the Beijing High People’s Court (2019), if the cited trademark right holder files an opposition or invalidation against a trademark on the ground that the disputed trademark and the cited trademark constitute similar trademarks after the cited trademark holder has issued a coexistence agreement, this claim shall not be supported, unless the agreement is invalidated or revoked according to the law.

## **DEVELOPMENT OF LETTERS OF CONSENT IN CHINA**

Letters of consent in prosecution procedures in China have gone through a dynamic development process, including non-recognition, conditional recognition and prudent recognition, which reflects the general trend of China's economic development in past years.

In the beginning, China's market economy was developing relatively slowly, and enterprises had not attached enough importance to trademarks, the number of trademark applications was small and the chance of encountering prior identical or similar trademarks during the substantive examination procedure was relatively low. Under these circumstances, the Trademark Office strongly protected the first-filing and originality of trademarks, and thus firmly opposed trademark coexistence agreements. By doing this, market entities could see the economic value brought by their trademarks, which effectively enhanced people's awareness of trademarks and attached importance to them, promoting the development of intellectual property rights in China.

With the development of China's market economy and the internationalisation of intellectual property rights, the attitude of resolute disapproval of letters of consent no longer met the market's needs. The high-speed, stable and diversified development of the market economy led to an unprecedented increase in the registration and use of trademarks, and the limited nature of trademark resources was highlighted. To adapt to the development of the market, the attitude towards trademark coexistence agreements in the trademark prosecution cases also changed from the earlier disapproval to conditional approval. Examiners and judges comprehensively considered elements, such as the goods and services designated by the trademarks, the geographical area of use, the originality and popularity of the trademark, and recognising a bona fide coexistence agreement that the two parties signed on the basis of honesty and good faith, to achieve efficiency and fairness in review examination and trial procedures. However, for some special industries, such as those related to public health, trademark coexistence agreements were relatively less recognised and even opposed by trademark offices or courts. This is a kind of administrative method to safeguard the basic interests of the general public and develop the market in an orderly way. During this period, the Beijing High People's Court issued several regulations regarding coexistence agreements, including 'Several Legal Issues Needing Attention in the Current Intellectual Property Trials' (2018) and 'Guidelines for the Administrative Trial of Trademark Granting and Verification Cases' (2019), in which the Beijing High Court held that:

to determine whether the trademark at issue and the cited trademark constitute similar trademarks, the coexistence agreement can be used as prima facie evidence to exclude confusion.

...

If the disputed trademark and the cited trademark are similar in composition and are used on the same or similar goods, and the owner of the cited trademark has issued a coexistence agreement, in the absence of other evidence proving that the coexistence of the two parties' trademarks is very likely to lead to confusion among the relevant public, it can be determined that the disputed trademark and the cited trademark do not constitute similar trademarks.

According to cursory statistics, the total number of cases involving coexistence agreements that were fully or partially upheld by the CNIPA from 2018 to the end of 2021 was more than 50% in all the review cases filed.

With the improvement of China's business environment, China's business mode is upgrading from high-speed growth to high-quality development, in which trademark protection and brand building plays a great role. Protecting the interests of consumers, producers and operators has always been one of the legislative purposes of the Trademark Law. However, with the increase in the number of cases involving trademark coexistence agreements and subjectivity in determining the likelihood of confusion, there is a tendency for examiners to simplify and expand the acceptance of trademark coexistence agreements in their examination (according to the CNIPA's examiners). The CNIPA has also noted that whether to accept a coexistence agreement and the degree of acceptance of a coexistence agreement are not only legal issues, but are also economic issues. In real economic activities, consumers are usually unaware of signing a coexistence agreement and have no way of knowing the content of the agreement. Allowing the coexistence of similar trademarks under different entities increases the cost of consumer identification, and even leads to damage to the interests of consumers. In addition, some registrants of prior trademarks, after issuing the coexistence agreement due to the consideration of private interests, called it off later because of the changes to market conditions and business situations, and lodged lawsuits for trademark disputes, contract disputes or even administrative disputes. This also results in a waste of administrative and judicial resources. Under these circumstances, to balance private rights and public interests, the CNIPA has again adjusted and limited the acceptance of trademark coexistence agreements. During the on-site Q&A session at the Dongguan Trademark Festival in June 2023, examiners of the CNIPA confirmed the change in their examination of letters of consent. They will examine the cases mainly based on whether the trademark itself will cause confusion and mislead in the public, and will only take the coexistence agreement as a preliminary consideration, not as an important consideration. This adjustment in examination practice has already led to a reduction in the acceptance rate of coexistence agreements by administrative and judicial authorities.

## REVIEW CASES INVOLVING LETTERS OF CONSENT

### Statistics And Analysis Of Cases Concluded By The Appeal Board Of CNIPA In Recent Years

According to cursory statistics through Mozhilun's online database, the number of refusal review cases involving letters of consent concluded by the Appeal Board of CNIPA in 2018–2023 is as follows.

Year	Number of review cases	Result: total refusal	Result: total preliminary approval	Result: partial approval
2018	1,459	637	500	219
2019	2,050	969	580	366
2020	2,310	983	805	410
2021	2,850	1842	502	438
2022	2,480	1,948	80	437

2023 (until 8 June 2023)	512	393	18	101
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From the above chart, it is easy to see that from 2018 to 2020, the number of review cases in which letters of consent were recognised increased year by year, but from 2021 onwards, the number decreased year by year. After further examination of the 18 review cases in 2023 in which letters of consent were accepted by the CNIPA, most of them were re-adjudication cases as per courts' rulings. Considering that the CNIPA and the courts have already deeply communicated and exchanged opinions on the issue of letters of consent, it is expected that the number of cases in which the letters of consent are accepted will decrease further in the future.

### Comparison Of Similar Cases Involving Letters Of Consent

During the searches, the author also found some contrary review decisions. For some review cases before October 2021, letters of consent had been accepted and recognised by the CNIPA. However, in subsequent cases after October 2021 in which the applicants applied for the same or similar trademarks and encountered the same prior cited marks, even if the applicants submitted letters of consent, the CNIPA refused to accept them based on the latest practice.

#### The Pre-October 2021 Cases Are As Follows.

	Applied - for trademark	Prior trademark	Class	Result	Authority	Issuing time
1	P•àç7 No. 30848551	P•Á8 No. 9779591	36	Accepted	Appeal Board of CNIPA	2019
2	No. 44567857	No. 29526411	9	Accepted	Appeal Board of CNIPA	2021.9
3	No. 42572151	No. 21175663	21	Accepted	Appeal Board of CNIPA	2021.1

#### The Cases After October 2021 Are As Follows.

	Applied - for trademark	Prior trademark	Class	Result	Authority	Issuing Time
			1			



	No. 56909815	P•Á8 No. 9779591	36	Unaccepted	Appeal Board of CNIPA	2022
2	No. 62558844	No. 29526411	9	Unaccepted	Appeal Board of CNIPA	2022.12
3	No. 47458831	No. 21175663	21	Unaccepted	Appeal Board of CNIPA	2021.10

From the above examples, it can be concluded that the degree of acceptance of consent letters or coexistence agreements in the refusal review cases is getting tighter and tighter. Although the official authority previously accepted letters of consent in similar cases, they are now adopting a prudent attitude towards consent letters, and the submission of coexistence agreements or consent letters is no longer an effective strategy to overcome the refusal.

### CONCLUSION AND FUTURE FEASIBLE STRATEGIES

With the country's emphasis on IP rights and increasing public awareness of IP protection, the number of trademark applications in China is growing by leaps and bounds. By the end of 2022, the number of effective trademark registrations in China was 42.67 million. The increase in prior applications and registered trademarks means there is a high chances of refusal due to prior similar trademarks. In the past, trademark coexistence agreements were being widely used and chosen by trademark applicants as a time-consuming but feasible solution. However, with the country's shift to a high-quality economic development mode and the protection of consumers' and business entities' interests, the CNIPA's acceptance of letters of consent has reduced. In some cases, even is there is precedent (ie, prior identical trademarks have been approved for registration based on consent letters), examiners do not accept the consent letters in refusal review cases of later trademarks in the same situation. Applicants need to be aware of this change in practice and respond to it proactively.

While adjusting the degree of acceptance of letters of consent, the good news for applicants is that the CNIPA is now accepting suspension requests in some trademark review cases. There are seven circumstances where examination shall be compulsorily suspended, including if the status of the cited trademark must be based on the results of another case that is under trial by the people's court or being handled by the administrative authorities, CNIPA should suspend the refusal review examination upon the applicant's explicit request. Therefore, trademark applicants should pay attention to the recent change in trademark practice in China, or should consult with experienced trademark attorneys on specific issues to avoid wasting time and energy.

Endnotes



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