Establishment Exceeding Empowerment:

Doubts about the Court's Establishment of "SUANSUANRU" as Well-known Trademark

Zhong Hongbo

"SUANSUANRU", which first appeared in the marketplace as the name of a dairy product, was used by many enterprises for a period of time. From 2000, several enterprises tried to register "SUANSUANRU" or words containing "SUANSUANRU" as a trademark, and their applications were all rejected by the Trademark Office for lack of distinctive character. Late 2006, in the Inner Mongolia Mengniu Dairy Industry Group v. Henan Snow-white Princess Dairy Industry Corporation, a case of trademark dispute, the Inner Mongolia Higher People's Court made the final ruling, having established "SUANSUANRU" sign as a well-known mark and finally decided on the ownership of the right in "SUANSUANRU". This ruling is presumed to have marked "the beginning of the judicial establishment of unregistered well-known mark in China". Therefore, a business sign for which protection for the exclusive right to use a registered mark should not be obtained has acquired the more favorable protection as a well-known mark.

This writer is doubtful about whether the court is empowered to establish an unregistered trademark as a well-known mark for these reasons.

Judicial establishment of unregistered trademarks as well-known marks is legally baseless

Specific provisions have not been set forth in the trademark law and the associated regulations in China on the establishment of well-known trademarks in the judicial procedure. Before China's entry into the WTO, the authority to establish well-known trademarks exclusively rests with the State Administration for Industry and Commerce (the SAIC), which performs the authority under the Provisional Provisions on the Establishment and Administration of Well-known Trademarks promulgated on 14 August 1996 by the SAIC, in which it was provided that "the Trademark Office of the SAIC is responsible for the establishment and administration of

The "SUANSUANRU" products available in the marketplace. The court limits in the final ruling in the present case that the "SUANSUANRU" mark has been established as well known "with its validity limited to the present case, and the establishment is not disciplinarily binding on other enterprises". For that reason, while Mengniu Group has its "SUANSUANRU" established as a well-known mark, it has to sue other manufactures of "SUANSUANRU" product one by one if it wants to exclusively own and use the sign.

well-known trademarks. Any organisation or individual shall not make the establishment of well-known marks or do so in a covert manner." With a view to enhancing the protection of trademarks, to the Articles 13 and 14 of the Trademark Law as revised in 2001 have been added the provisions on the protection of well-known trademarks. In the two subsequent judicial interpretations of the Supreme People's Court, the Interpretation of Several Issues Relating to Law Application to Trial of Cases of Civil Disputes over Domain Name on Computer Network and the Interpretation of Several Issues Relating to Law Application to Trial of Cases of Civil Disputes over Trademarks, it is provided that in hearing cases of dispute over domain names and trademarks, the court "may establish whether a registered trademark involved is well known or not at the request of an interested party depending on the specific circumstance of the case". This provision is, to date, the most direct legal basis for the judicial establishment of well-known trademarks.

Although under the provision on well-known trademarks of Article 13 of the Chinese Trademark Law,[1] what are under the protection as well-known marks are registered and unregistered marks, in the preceding two judicial Interpretations, courts are empowered only to "establish whether a registered trademark in suit is well known or not according to law", without empowering the court to establish unregistered trademarks as well-known marks. It is clearly not a momentary oversight on the part of the Supreme People's Court to have set forth such a provision. It should be seen that the system for the protection of trademarks in China is based on registration, and the provisions on the protection of unregistered trademarks is an exception to the Trademark Law. Such provisions were added to the amended Trademark Law to meet the relevant requirements imposed by the TRIPS Agreement of the WTO. It is thus shown that "a trademark that is applied for registration in identical or similar goods is a reproduction, an imitation or a translation, of another party's well-known mark that is not registered in China" as mentioned in Article 13 of the Trademark Law specially refers to a foreign person's "well-known mark that is not registered in China". As for a Chinese national's well-known mark not registered in China, though it was necessary to establish well-known service marks which were not protected as such in China before 1993, it is not necessary to protect unregistered marks by way of establishment of well-known marks from 1 July 1993 in China when the service marks were included in the registrable marks, and the barrier to the registration of such marks was removed unless the establishment is meant to remove any other barrier to trademark registration. Protection of an unregistered mark as a well-known mark is a special case after all. Wide spread of this practice would eventually shake the very foundation of the system of the trademark law in China, and ruin the fundamental principle of the Chinese trademark law to protect the registered trademarks.

Unregistered trademarks are protected under the Unfair Competition Law

The Chinese Trademark Law follows the basic principle of "protecting registered trademarks, not unregistered ones". In other words, infringement of an unregistered trademark is not under the regulation of the Trademark Law, which, however, does not mean that it is impossible to protect unregistered trademarks under the current legal system in China. It is expressly pointed out in the Supreme People's Court's Interpretation of Several Issues Relating to Law Application to Trial of Civil Cases of Unfair Competition promulgated on 30 December 2006 that any goods having certain reputation in the market or being known to the relevant section of the public within the territory of China shall be established as "famous goods" provided for in Article 5 (2) of the Unfair Competition Law. In establishing famous goods, the people's court shall take into account the time, area, amount and buyers of the sale of said goods, the duration of time, degree and geographical area of any publicity of the goods, and the circumstances of the goods being protected as a famous goods so as to make a comprehensive decision. The plaintiff is under the burden to prove the reputation of his/its goods in the market. Literally, this provision is extremely consistent with the provision on the establishment of well-known trademarks of Article 14 of the Trademark Law.[2] It is thus shown that the Mengniu Dairy Industry Group may claim that its "SUANSUANRU" sign is one of a well-known goods, and seek legal protection by bringing an action against a dispute over unfair competition under the Unfair Competition Law and the judicial interpretation, rather than bringing a lawsuit against a dispute arising from trademark infringement.

The two Inner Mongolia courts have failed to set straight the legal relations in the present case, wrongly applied the Trademark Law and the related judicial interpretations, and thus drawn the wrong conclusions.

Problems of the judicial establishment of unregistered well-known trademarks

1. Affecting the normal legal order of trademark

Under the legal system of trademark in China, the responsibility for approval of registration of trademarks rests with the Trademark Office and the Trademark Review and Adjudication Board (TRAB) of the SAIC, and the matter of use and protection of trademarks is dealt with by the local trademark administrative authorities or the people's courts. The system reflects a separation of function and power within the civil law system. Function and power are clearly defined and not mutually substitutable.

As a special trademark examination agency, the Trademark Office performs examination of applications for trademark registration nationwide, and it is thus in a dominant position with its experience of professional examination and resources for the examination. The Trademark Office has set up the trademark opposition procedure, and the TRAB the trademark review and adjudication procedure to provide the public with the related administration remedies and to rectify any undue performance of the Trademark Office in its work of trademark registration. The courts provide judicial remedies against any undue administrative performance with its administrative procedure.

In the past, the establishment by the courts of registered trademarks as well-known marks on the basis of the facts of cases in the judicial procedure involving trademark dispute, related to the ascertainment of facts, and not to the approval and registration of trademarks, which did not pose any challenge to the separation of function and power.

Things are completely different now in connection with the establishment of unregistered trademarks. Once the court establishes an unregistered trademark as a well-known mark, it naturally has impact on the administrative examination and approval of trademark registration. Take the Mengniu's "SUANSUANRU" sign for example. Before the ruling was made in the present case, the Trademark Office rejected the application for registration of "SUANSUANRU" as a trademark on the ground that it was devoid of distinctive character. Now, the application for registration of "SUANSUANRU" as a trademark is being examined again by the Trademark Office. After the court made its ruling, that the "SUANSUANRU" sign possesses the distinctive character as a trademark is now a fact ascertained by the court. If the Trademark Office still holds the "SUANSUANRU" sign unregisterable, it is suspected of contempt of the judicial authority. Consequently, it is hard for the Trademark Office to do anything except accepting the judicial decision. Obviously, no matter how the Trademark Office handles the matter, the basic principle that the administrative agency independently makes its administrative decision will be challenged.

The Inner Mongolia court's establishment of "SUANSUANRU' sign as a well-known mark is taken as the beginning of judicial establishment of unregistered trademark as a well-known mark. It may be assumed that from this beginning, the business signs which are difficult to be registered as trademarks for lack of distinctive character may circumvent the procedure of trademark administrative examination and are put under a protection no less than that for the exclusive right to use a registered trademark through judicial procedures: once an indistinctive sign becomes a well-known mark, it will generally be posed against use of all other signs of the kind in the industry.

2. Detrimental to the uniformity of judicial establishment

In China, both the power of administrative examination and approval of trademark registration and that of administrative establishment of well-known marks rest with the Trademark Office. The judicial establishment of well-known marks is respectively made by the intermediate people's courts of the various regions. The establishment of well-known marks by the varied authorities is very much likely to result in inconsistent standards and practice. This phenomenon even stands out when an unregistered trademark is judicially established as a well-known mark. Since an unregistered trademark does not go through the trademark registration examination proceedings, the judicial authorities usually tend to make such a decision in the judicial procedure without examining the prior right. Besides, in the absence of the related laws and regulations and the relevant procedural guarantee, the only thing they can do is for the judges to exercise the right of discretion. The result is that various courts would make totally different rulings in cases involving the same facts.

3. Likely to foster unfair competition and local protectionism

An unregistered trademark is usually a trade sign devoid of distinctive character and difficult to be registered as a trademark. In all the cases in which the owners of unregistered trademarks request to protect the marks as well-known marks, there are other parties, including the opposite parties and persons not involved in the cases, who use identical or

similar signs. In the judicial establishment of a well-known mark, the judicial authorities only take into account whether or not the unregistered trademark in suit is up to the standards for being established as a well-known mark or whether it has obtained its distinctive character. They rarely consider whether a prior right or concurrent right exists, or whether any other person has made contribution to its distinctiveness. As a result, only the large enterprise, among many users of the trade sign, that is capable of adducing evidence to show that the mark is well known, is possibly to obtain the protection of it as a well-known mark. Once the large enterprise is granted such protection, other users must cease using it and give up the right or are even accused of infringement. It is unfair for the small and medium sized enterprises and individuals who are unable to adduce evidence.

It seems that the courts are doing what the Trademark Office should do in establishing an unregistered trademark as a well-known mark. It would not be a big issue if only one court were empowered to do it. But all the intermediate people's courts now have the power to do so. Due to the fact that local governments take the number of the well-known marks in the region as one of the factors to be considered in evaluating their officials performance and adopt intensively, one after another, rewarding measures to promote the establishment of more well-known marks, it is difficult for the local courts to free themselves from the influence of the local governments to maintain their impartiality and neutrality in their work of establishment of trade signs owned by the local enterprise as well-known marks[3]. If this phenomenon is ignored, with the passage of time, the problem will become more serious, and the various issues exposed in the judicial establishment of well-known marks will do great harm to the authority of and public confidence in the judicial authorities. What is said here is by no means a false alarm, and the issue requires our immediate attention.

Conclusion

China is a country that has been producing a large number of well-known marks. In addition to the establishment of well-known marks, a variety of activities are also held to name or select well-known marks in the form of the "famous brands in China", the "old brands of China" or the "local famous trademarks". Since a name of well-known mark brings tremendous benefits to an enterprise that owns it, some enterprises invest enormously in advertisement and publicity at any cost, expecting to obtain a name of well-known trademark in no time. Against the backdrop of somewhat wild pursuit of well-known marks, the establishment of well-known marks will be in chaos if unregistered trademarks are made eligible for being established as well-known marks, if the authorities empowered to do so are by no means few, and if the benchmarks for the establishment of well-known marks are not harmonised. ■

The author: Attorney-at-law and Trademark Attorney of the Beijing Leaven IPR Agency Ltd.

---

[1] Article 13 of the Trademark Law: A trademark that is applied for registration in identical or similar goods shall not be registered and its use shall be prohibited, if it is a reproduction, an imitation or a translation, of another party's well-known mark that is nor registered in China and it is liable to create confusion.

A trademark that is applied for registration in non-identical or dissimilar goods shall not be registered and its use shall be prohibited, if it is a reproduction, an imitation or a translation, of a well-known mark which is registered in China, misleads the public, and the interests of the registrant of the well-known mark are likely to be damaged by such use.

[2] In Article 14 of the Trademark Law are enumerated the following factors to be taken into account in establishment of a well-know mark:

(1) the degree of knowledge of the relevant section of the public;

(2) the duration of use;

(3) the duration of time, degree and geographical area of any publicity of the mark;

(4) any record of the mark being protected as a well-known mark; and

(5) any other factors which make the mark well known.

[3] In the ruling on the case of dispute over "LITTLE FAT LAMB" trademark similar to the cases involving the "SUANSUANRU", the people's courts in Beijing, Shijiazhuang and Xian made entirely different decisions on the well-knownness of the "LITTLE FAT LAMB" trademark. The people's courts of Shijiazhuang and Xian ruled in favour of the interested parties that are local enterprises.