

# Several Issues Relating to Trial of Patent and Trademark Cases

## The Intellectual Property Tribunal of the Beijing Higher People's Court

Trial of cases of patent and trademark dispute is an important part of the judicial work on hearing IP-related cases. Over the years, the courts in Beijing have run into many difficult issues, and accumulated some experience in the trial of cases of dispute over patents and trademarks.

Following are some of these issues frequently encountered.

### 1. Double patenting

Regarding the provision of “for any identical invention-creation, only one patent right shall be granted” of Rule 13, paragraph one of the Implementing Regulations of the Patent Law, there is a practical view that neither the Patent Law nor its Implementing Regulations prohibit an applicant from filing applications respectively for a patent for invention and one for utility model in respect of an identical invention-creation at the same time or one after another. For this reason, under the Implementing Regulations of the Patent Law, the provision of “for any identical invention-creation, only one patent right shall be granted” should be construed as that “two or more valid patents for an identical invention-creation shall not co-exist”, otherwise, it is double patenting.

The courts in Beijing heard Jining Non-Pressure Furnace Plant v. the Patent Reexamination Board (PRB) of the State Intellectual Property Office (SIPO) and the third person Shu Shuezhong, a case of dispute over patent invalidity. The inventor Shu Shuezhong filed, on 7 February 1991, an application for a patent for utility model with the Patent Office, and was granted the patent right on 30 September 1992. Under the Patent Law as of 1984, the term of protection for a patent for utility model was 5 years, and the patentee requested an extension of three more years after said utility model patent expired. Up to 2 August 1999, the patent expired at the expiration of the term of the protection for said patent expired. On 22 February 1999, the inventor Shu Shuechang filed an application for a patent for the invention of the same title, and was granted the invention patent right on 13 October 1999.

The Jining Non-Pressure Furnace Plant filed, on 22 December 2000, a request with PRB for invalidation of Shu's invention patent right on the ground that the invention patent and Shu's utility model patent that had expired constituted double patenting, and were contrary to the provision that “for any identical invention-creation, only one patent right shall be granted” of the Implementing Regulations of the Patent Law.

We hold that double patenting means that two patent rights are granted to an identical invention-creation, but it does not refer to the circumstance of co-existence of two patent rights based on an identical invention-creation. Double patenting means that no matter whether two identical patents exist at the same time or not, only one patent right should be granted, otherwise the term of protection for a patent is unreasonably extended, thus constituting double patenting. The patent system has been established in China to protect both the legitimate rights and interests of the patentee and the interests of the public. Once a patent right expires, it enters into the public domain from the date of expiration, and may be used by anyone as a technology in the public domain. In the present case, Shu's utility model patent expired on 8 February 1999, the patented technology has entered into the public domain. Since Shu's later invention patent relates to the identical invention-creation of his earlier utility model patent, the publication of the grant of said invention patent on 13 October 1999 means that the patent was granted another patent right for a technology in the public domain. It is double patenting, so contrary to the provision that “for any identical invention-creation, only one patent right shall be granted” of the Implementing Regulations of the Patent Law.

### 2. Determination of who are to assess identical or similar designs

Who are to assess identical or similar designs is always an issue on which views are greatly divided in trial of cases involving determination of patent right. The provisions of the

Guidelines for Examination on the issue are under constant change. Those relevant to the assessment are changed from “average buyers” into “average consumers” in the Guidelines for Examination as of 2004, and the change is accepted in the Guidelines for Examination as of 2006, with slight difference in the definition thereof in the two versions of the Guidelines for Examination.

The issue of assessment of similarity of the design incorporated in the product of road lamp was involved in the case of dispute over patent right invalidity between the Ningbo Shuaikang Lamp and Lighting Fixture Co., Ltd. and the PRB and the third person Dai Xiaoming. One view is that, according to the special characteristics of the patented product, the identicalness or similarity of the patent of the present case and the reference document should be determined according to the attention the “public”, as the average consumers, has paid to the product and the visual effect thereof on them. The other view is that, with respect to products, such as road lamp or light, the average consumers with the attention and expertise should be the buyers, installers and maintenance people. Road lamp or light, besides its lighting function, has a decorative function. When in use, they are rather far away from the public to be observed thereby, so they would not draw the attention of the public. The public being those relevant to the assessment would render the assessment inaccurate and non-objective. We believe that under the Guidelines for Examination, the identical or similar designs should be assessed on the basis of the knowledge and cognitive level of the average consumers of the product incorporating the design in suit. Different products are for different consumer groups. This case involves the patented product of road lamp, which is a facility in the service of the public. The consumers observe and enjoy the road lamps in use. When defining the average consumers of the products, such road lamps, attention should be paid to them in use. The end users of road lamps and those enjoying their function are obviously not specific pedestrians, nor the manufactures, sellers, buyers, installers or maintenance people of road lamps. In the present case, we determine that those relevant to the assessment of the identicalness or similarity of the design patent in suit and the prior design should be the average consumers of the product, namely those who benefit from the use of the product incorporating the relevant design.

### **3. Features of method or material of the claims of a patent right for utility model**

Should the claims of the patent right for utility model limited by features of method or material be taken into consideration in the examination of inventiveness in the invalidation proceedings? According to the Guidelines for Examination as of 2001, in the examination of inventiveness of a utility model, the features of method or material of the claims that do not change the shape, structure or their combination of a product are not to be taken into consideration. This provision has been made to preclude any subject matter that improves material or method from patentability for utility model in the examination of inventiveness. This provision has been deleted from the Guidelines for Examination as of 2006. The resultant issue is how to treat the decision made by the PRB under the Guidelines for Examination as of 2001 with the features of method or material contained in the claims not being taken into consideration in hearing cases of administrative dispute over determination of the patent right for utility model. This is an issue involved in the Shenzhen Jinshiji Health Recovery Goods Science and Technology Co., Ltd. v. PRB. For us, as the analysis of the legislative purpose and the specific provisions shows, the Patent Law and its Implementing Regulations do not impose any restraints on the features of method or material in the claims of the patent right for utility model. The provision on the features of method or material not to be taken into consideration of the Guidelines for Examination as of 2001 is legally baseless, and conflicts with the law of the higher level. The people's courts should make their rulings under the Patent Law and its Implementing Regulations, with reference to the Guidelines for Examination as the departmental regulations, excluding any provisions thereof that conflict with the law of the higher level.

### **4. Determination of the extent of protection of claims drafted in terms of functional limiting technical features.**

The functional limiting technical feature means that in the claims of a patent, the invention or utility model is not limited with a structural feature or method or step feature, but with the role, function of the components or parts or steps used in the invention or utility model, or the effect produced thereby. The issue caused by claims drafted in terms of functional limiting technical features is how to construe the claims in order to determine the extent of protection.

In the Zeng Zhanchi v. the Hebei Zhenyu Industry and Trade Co., Ltd. and Beijing Shuanglongshun Warehouse Shopping Centre, a case of dispute arising from infringement of a patent right, claim 1 of the patent in suit goes as this:

“A deodorant, sweat absorbent shoe-pad, charac-

terised in that a one-way seepage layer is deposited on the inner surface of each of the two anti-skid layers, between which are placed a cohesive sweat absorbent layer, breathable layer, and a deodorant layer, with the sweat absorbent and breathable layers adjacent to each other". According to the description of the patent, the one-way seepage layer is a piece of cloth with holes in the funnel shape. According to the description of the alleged infringing shoe-pad, the shoe-pad comprises a dry surface, an active carbon layer (physically deodorant without side effect), an anti-wrinkling elastic layer, a high polymer layer (highly sweat absorbent) and two one-way seepage/osmotic layers, with one below the dry surface and the other on the inner surface of the bottom layer. As the allegedly infringing product that was unsealed before court shows, the allegedly infringing product comprises a first frontal twill layer, a second layer of non-textile cloth with sweat absorbent agent and active carbon on its top surface, a third plastic anti-wrinkle elastic mesh layer, a fourth non-textile cloth layer, and a fifth cloth layer. Thus, the essential technical features of claim 1 of the patent right are functional limiting features.

There are two views in hearing the case: one is that these technical features encompass all modes of achieving said function; the other is that the functional limiting feature should be interpreted as including the specific modes and the equivalent modes of carrying out the invention as stated in the description.

Article 56 of the Chinese Patent Law provides that "the extent of protection of the patent right for invention or utility model shall be determined by the terms of the claims. The description and the appended drawings may be used to interpret the claims". According to this provision, we hold that the specific interpretation of the functional limiting features of the claims is that in establishing infringement, the functional limiting features should be limited by the specific modes of carrying out the invention as stated in the description of the patent. They should not be interpreted as encompassing any mode of achieving said function to such an extent as to unduly broaden the extent of protection of the patent right in suit, which would impair the public interests. To be specific, in infringement determination, the functional limiting features should be interpreted as only including the specific modes and the equivalent modes of carrying out the invention as stated in the description.

In the construction of the claim in the present case, account should be taken of the specific way to carry out the in-

vention as described in the description. As for the technical feature of the one-way seepage layer in the claims, it is made clear in the description of the patent in suit that the one-way seepage layer is "a piece of cloth with holes in the funnel shape", whereas that of the alleged infringing product uses the non-textile cloth. Thus, as far as the technical features of the patent in suit are concerned, in the allegedly infringing product is not used the technical feature identical with or equivalent to the piece of cloth with holes in the funnel shape. Hence, the allegedly infringing product does not fall within the extent of protection of the patent right in suit.

#### 5. Can defendant practice prior-art defence when his allegedly infringing technology constitutes infringement by equivalents

The prior-art defence means that where an allegedly infringing article is equivalent to the patented technical solution as presented in the claims of a patent, the defendant's act does not constitute an infringement of the plaintiff's patent right if he makes his defence and furnish evidence showing that the allegedly infringing article is equivalent to a technology in the public domain. In our past experience in hearing patent infringement cases, we tended to believe that the prior-art defence is applicable to infringement of patent by equivalents, not to that by identical features. Through years of further exploration, we have come to believe that where a defendant infringes a patent by identical features and he makes a prior-art defence on the ground that he has exploited a technology existing in the public domain before the date of filing of the patent in suit, the court should decide whether the allegedly infringing technology is equivalent to or identical with the known technology. If so, it should be established that the alleged infringement is not constituted.

In the case *UK Strix Limited v. the Ningbo Shenglida Electric Appliances Manufacturing Co., Ltd. and Huapu Supermarket Co., Ltd.*, the allegedly infringing product of "SLT-102" heat sensitive controller has fully covered the extent of protection of the claims of the patent in suit. The technical feature D limited by its structure is that the two initiators are initiated under certain temperature, and Shenglida furnished the corresponding technical features 4 of the technical solution in the public domain in support of its prior-art defence, which is that the two metal plates become active at the temperature of  $98 \pm 3^{\circ}\text{C}$  and upon returning control temperature is  $95^{\circ}\text{C}$ - $100^{\circ}\text{C}$ . We believe that in examining whether Shenglida's prior-art defence is tenable or not, the "SLT-102" heat-sensitive controller should be compared with the public-do-

main technical solution, but not with the technical effect. The technical feature D of claim 1 of the patent in suit is that the two initiators are initiated under certain temperature, that is the determined initiation temperature is the same. The “SLT-102” heat-sensitive controller also has said technical feature. In the technical solution of the two installed temperature controllers in the public-domain technical solution, technical feature 4 is that the two metal plates become active at the temperature of  $98 \pm 3^{\circ}\text{C}$  and upon returning control temperature is  $95^{\circ}\text{C}$ - $100^{\circ}\text{C}$ , and said technical feature is indeed different from the “SLT-102” heat-sensitive controller in the specific initiation temperature, that is, the two initiators are initiated under the same temperature. Hence, the “SLT-102” heat-sensitive controller and the temperature controller of the known technical solution have the same structure, and, as well, equivalent technical solution. Accordingly, Shenglida’s prior-art defence is tenable.

#### **6. Burden of proof with respect to new product**

Under Article 57, paragraph two of the Patent Law as of 2000, where a patent infringement dispute involves a patent for invention of a process for making a new product, the entity or individual making the same product should present evidence to show the difference between its or his process for making the product and the patented process. This shows that the burden of proof is reversed in case of infringement of patent for a process for making a new product. In practice, people do not disagree on this matter. However, who should be under the burden to prove that a product is a “new product”? One view is that in case of process patent infringement, it is difficult to require the patentee to prove that the product in suit has never appeared in the domestic market, but very easy for the defendant to show it has. Therefore, it is fair and due for the defendant to be under the burden of proof with respect to a “new product”. For us, it is legally baseless to reverse the burden of proof on the issue of whether a product in suit is a “new product” or not since it is an essential principle for those “who claim their right is under the burden of proof”, and any special requirement for reversing the burden of proof must be expressly set forth in the laws. Therefore, we practically believe that the patentee should come up with a sufficient explanation of whether the product obtained directly from his patented process is new or not. The accused infringer who argues that the product is not a new product after the patentee makes his explanation is then under the burden of proof. A new product usually refers to a product different from any product already avail-

able in the market. In general, any product that the consumers have not seen in the market before the date of filing the patent application may be deemed to be a new product.

#### **7. Determination of whether two technical features in cases of infringement of patent for traditional Chinese medicine are equivalent technical features**

Technical features are often compared with one another in cases of infringement of patent for invention or utility model. It is often the case in which some essential technical features of the claims of a patent in suit are not identical with the corresponding technical features of the allegedly infringing product or process (simply called the allegedly infringing article). Then, it is necessary to further determine whether the two technical features are replacement in substantially the same manners or by substantially the same means, whether they perform the same function, or achieve substantially the same effect. This is the determination of equivalent features.

In Tianjin Tianlishi Drug Manufacturing Co., Ltd. v. Dongguan Wancheng Drug Manufacturing Co., Ltd. and Beijing Yian Times Science and Technology Development Co., Ltd., which is a case of dispute over patent infringement, Wancheng’s infringing article is exactly the same as the patent in suit. Wancheng Corporation makes its defence on the ground that the technology it exploits is one in the public domain, so does not constitute an infringement of the patent in suit. For that matter, the case involves the matter of comparison of the infringing article with the technical solution of the public domain. In the components of the infringing article, there are 6.75% tangkuei root or *Angelicae Sinensis Radix* and 6.75% ligusticum root or *Ligustici Rhizoma*, whereas they are respectively 5.56% tangkuei root or *Angelicae Sinensis Radix* and 5.56% ligusticum root or *Ligustici Rhizoma*. Can it be directly determined that the two technical solutions are equivalent?

As a special product, the components and dosage of the herbs in the traditional Chinese medicine are essential in a prescription of the traditional Chinese medicine. Under many situations, a prescription of the same components of herbs may have different medical effect due to different amount of these components. There is a principle underlying the “addition or reduction of the amount of herbs” in the theory of the traditional Chinese medicine. New drugs may be developed under this principle. It is a known fact that on the basis of one existing prescription, a difference may be made in the medical function or effect of a medicinal herb by changing the amount of it without changing its components.

In the present case, ligusticum root or Ligustici Rhizoma and Ligusticum root or Ligustici Rhizoma are two main ingredients of the technical solution of the patent in suit and the allegedly infringing prescription. Conversion of the known prescription and the technical solution of the infringing article, then rate of difference between the two herbs is at 21.7%. The effect produced by this difference is that the known prescription only cures hemilateral headache type blood vessel headache, while the infringing article, besides curing hemilateral headache type blood vessel headache, also cures high-blood pressure dizziness and headache. The test of the effect done by the Traditional Chinese Medicinal Theory Department of the Beijing Traditional Chinese Medicine University further shows that the two are substantial dissimilar. As the data of the experimental result show, the infringing article is obviously different from the known prescription, and they are two different technical solutions. Therefore, in the cases of infringement of traditional Chinese medicine patents, the equivalent features must be determined on the basis of data or result of clinical trial.

#### 8. Determination of generic name of goods

On the issue of determination of generic name of goods, we stick to the standard of generic name determination on a relatively wide scope of “generality”. Whether the name of a goods is generic or not should be considered from the perspective of the entire geography regions where the goods are made and/or marketed, but not from a particular region therefrom. Article 11, paragraph one (1) of the Trademark Law provides that those which consist exclusively of generic names, designs or models of the goods in respects of which the trademark is used shall not be registered as a trademark. Article 49 of the Regulations for the Implementation of the Trademark Law provides that “where a registered trademark consists of the generic name, ... the proprietor of the exclusive right to use the registered trademark shall have no right to prohibit the fair use thereof by another person”. In some cases involving determination of the trademark right, the Trademark Review and Adjudication Board (TRAB) accepts evidence from an interested party showing that a particular name is a generic name, or a general name of the material of the goods in question within the country or city which the goods are found, and, hence, precluded it from registrability as a trademark. For us, since the evidence from the interested party only shows the presence of the general name of the goods in his/its country or city, and goods using the name is “obviously different in class” of the goods on

which the name is used in other regions, and the TRAB has no evidence showing the presence of said general name in other regions in China. For that matter, the evidence available is not sufficient to show said name has been widely used as a name of goods in China or in the industry. For this reason, the TRAB has made its determination without sufficient evidence, and its wrong conclusion should be reversed. Summarising what we have done about cases of the type, we hold that a generic name of goods, relative to the name particular to the goods, means one commonly used in a country or industry. It is a standard name showing the fundamental difference of a class of goods from that of another. A generic name should be extensive and standardised. For its extensiveness, it should be commonly used in a country or industry; a name used only in a region or part of a region is not. Besides, it should be one complying with the standard and showing the fundamental difference of a class of goods from that of another in clear terms.

#### 9. Requirement for registration of place name as trademark

Article 10, paragraph two of the Trademark Law provides that the geographical names of the administrative divisions at or above the county level and the foreign geographical names well-known to the public shall not be used as trademarks, but such geographical names as have otherwise meanings or as an element of a collective mark or a certification mark shall be exclusive. Where a trademark using any of the above-mentioned geographical names has been approved and registered, it shall remain valid. For us, a place name mainly functions to indicate the geographical origin of a product or service. It does not distinguish one manufacturer or operator from another as a trademark does. A place name exclusively owned by a business or individual as a trademark will prevent others from using it as a geographical indication, or make it geographically deceptive. For this reason, “geographical names having otherwise meanings” should be understood as those having acquired the meaning obviously different from a place name and clearly and readily accepted by the public, so that it is sufficient to render the place name distinctive as a trademark. Take “red river” for example. According to the publications in China, it is, besides a name of an administrative division above the county level, also the name of the river running through Vietnam. This shows that “red river” has a clear, known meaning besides being a place name. Also, in Chinese, it means a “river of red colour”, a meaning more readily acceptable to the



public. Therefore, “red river” means something other than place name, and distinctive as a trademark; hence, it has another meaning besides that of a place name as required by the Trademark Law. It may be registered as a trademark. For another example, “Yonghe” is a place name in Shanxi and Taiwan, China. Through years of use, it has become a name showing the special feature of a Chinese fast food service. For the public, it is mainly a trademark of that function; hence “Yonghe” has a meaning other than that of a place name, and should be registrable as a trademark.

#### 10. Protection of well-known marks

Determination of well-known marks whether in right determination cases or infringement case, we always act in line with the doctrine of the necessity of the protection of well-known marks, stick to the doctrine of “passive establishment of well-known marks and protection on a case-for-case basis”. That is, only under the circumstance that an interested party requests protection of his registered trademark in respect of dissimilar goods or services and it is indeed necessary to accord the protection, a registered trademark is established as a well-known mark only to achieve the extended protection; as for a non-registered trademark, where an interested party reproduces, imitates or translates said non-registered trademark in respect of the goods of the identical or similar class, and the reproduced, imitated or translated trademark is likely to create confusion, the non-registered trademark is established as a well-known mark to prohibit another party from registering or using it. As a case in point, in hearing the case of “HUIERKANG” trademark dispute, the court rules that “Huierkang’s “HUIERKANG” trademark, though not registered, has become known to consumers through extensive publicity and use. A particular association has been established between the products of the brand and the company making the products; the brand of products has been rewarded many awards and accepted by many authoritative institutes in the industry, and enjoy business goodwill and reputation. The company has led the industry in its products, profit and payment of tax since 1997. Hence, “HUIERKANG”, as the company’s brand of products, qualifies to be a well-known mark. The “HUIERKANG” trademark another party registered is exactly identical with that of the Huierkang Company in pronunciation and meaning. While they are different in the lexical shape, the Huierkang uses the trademark in suit first and it is a well-known mark through use. Therefore, the other party’s application for the registration of the “HUIERKANG” trademark is

an act of imitation of the company’s trademark not registered in China and is obviously in bad faith. If registered, it is likely to create confusion on the part of the consumers. For this reason, it should not be registered.

#### 11. Scope of “prior right” and “trademark having certain influence”.

The “prior rights” mentioned in Article 31 of the Trademark Law usually refers to the right of portrait and copyright. The courts in Beijing have determined in cases of dispute over determination of rights that the domain name is also a prior right. As a case in point, in *Alibaba v. the TRAB and Zhengpu Company*, the court holds that the Alibaba, an internet service indication, has acquired certain influence or reputation in the industry of internet service provision sufficient for Zhengpu to know or should know about it before the latter registers the “ALIBABA and the device” trademark to be used on information service of class 38; hence the court decides that it has obviously registered “ALIBABA” as a trademark in identical or similar service in bad faith, and the registration is likely to create confusion on the part of the relevant section of the public about the provider of the internet service, and cause prejudice to Alibaba’s prior rights and interests, and rules to have revoked the registration of the trademark applied for registration. The factors we take into consideration in determination of “having certain influence” are substantially the same as those in establishing a well-known mark, but only less restrictively. So long as a mark has some influence, it may be determined as one “having certain influence”.

#### 12. Essential guiding concepts underlying determination of trademark infringement

First of all, it should be determined whether use of an allegedly infringing trademark is the “use” within the meaning of the Trademark Law. For the use of a trademark, Article 3 of the Regulations for the Implementation of the Trademark Law sets forth are enumerative provisions, but the manners of the use of a trademark enumerated are by no means exhaustive, nor have the provisions specified all the circumstances for the constitution of the trademark use. For that reason, it fails to address all practical disputes over trademark use. Since a trademark mainly functions to show the source of goods and to enable the relevant section of the public to distinguish the providers of the same goods and buy goods of recognised brands, we believe that in determination of constitution of trademark use, it should be considered whether the main function of a trademark has been performed, that is, all the

following three elements must be satisfied for the use of a trademark to be constituted:

- 1) the trademark must be commercially used;
- 2) the use is to show the source of a goods; and
- 3) the use enables the relevant section of the public to distinguish the providers of the same goods.

With these three elements all present, a trademark is held to have been put in use. Judicially these are the circumstances of use. The use of a piece of computer software as a special goods requires installing or running it on computer. Showing a trademark on the interface of installation and running of it demonstrates the function to show the source of the goods of computer software. Likewise, the use of a trademark indication on such audio-visual media as radio and television programmes and such two or three-dimensional media as the Internet that enable the relevant section of the public to identify goods or the provider are all cases of use of trademarks.

Next, determination of whether an allegedly infringing trademark has been used in similar goods or services. We believe that similar goods or service is determined by the same principle as that by which a right-related determination is made so as to avert any consequences unfair to any interested party. For example, in case of right-related determination, the court generally accepts the Classification of Similar Goods and Services as an important frame of reference in determining similar goods. It is referred to when similar goods should be determined in trademark infringement cases. The SPC's relevant interpretation provides that determination of similar goods be made in terms of the function, use, manufacturer, channel of distribution and intended consumers of the goods in suit. The Classification of Similar Goods and Services has been prepared by taking a comprehensive account of all said factors. Therefore, the judicial interpretation also specifies the use of the Classification of Similar Goods and Services as a frame of reference. But, in practice it should not be taken as the sole frame of reference in determination of similar goods because the classes of goods and market situation are under such constant change that it is impossible for these changes to be reflected in time in the Classification of Similar Goods and Services as it should be kept unchanged for a period of time. This would bring changes in the determination of similar goods. If an interested part presents evidence of similar or dissimilar goods not consistent with the Classification of Similar Goods and Services, the determination should be made on the ba-

sis of the evidence from the interested party.

Finally, attention should be paid to the relations between trademark similarity and "sufficiency to create confusion on the part of the relevant section of the public" in the determination of similar goods. The provisions of "sufficiency to create confusion on the part of the relevant section of the public" is absent in those of the Trademark Law on actions of infringement of the trademark right. For that matter, according to one view, infringement of the trademark right is determined just by determining, under Article 52 (1) of the Trademark Law, whether the rightholder's registered trademark is identical with or similar to the allegedly infringing trademark and whether it has been used in the identical or similar goods, without considering whether the allegedly infringing trademark is sufficient to create confusion on the part of the relevant section of the public. We hold this understanding wrong for it confuses the two concepts of similar trademark and similar trademark representation. The latter means that two trademarks per se are similar, while the former means both similarity in trademark representation and create confusion on the part of the relevant section of the public due to use of the trademarks in identical or similar goods. In other words, the trademark similarity covers representation similarity and sufficiency to create confusion on the part of the relevant section of the public. As is shown in the definition of trademark similarity in the SPC's pertinent interpretation, the SPC also regards "sufficiency to create confusion on the part of the relevant section of the public" as one of the elements of trademark similarity.<sup>1</sup> Accordingly, we has made it clear in the rulings that "sufficiency to create confusion on the part of the relevant section of the public" is one of the necessary condition for the constitution of trademark similarity. Mere trademark similarity is not sufficient to create confusion on the part of the relevant section of the public, nor constitute trademark similarity. In determining trademark similarity, decision should be made on the sufficiency to create confusion on the part of the relevant section of the public.

### 13. Determination of mode of service mark use

A service covers a series of actions and it is not closely associated with goods or articles. As a result, the use of a service mark is of a special character and mobility, and it is more difficult to determine the use of a service mark. For us, such a determination may be made according to the venue, person and articles used for the service provision. Specifically, there are following ways of use of a service mark:

- 1) showing the service mark in and outside the venue of

service provision;

2) showing the service mark on signboards;

3) showing the service mark on articles used for the service provision;

4) showing the service mark on the clothes, shoes, headwear, badges, name cards and postcards of those providing the service;

5) showing the service mark on account books, invoices, contracts and other commercial instruments of the service provider; and

6) making use of the audio-video and electronic media or internet to make the relevant section of the public aware of the service mark.

Of course this list is not exhaustive, and the use of a service mark should be eventually determined according to the above-mentioned three elements of the use in the meaning of the Trademark Law.

#### **14. Determination of fair use of trademark representation without infringement of the trademark right**

Trademark and trademark representation or sign are two different concepts. The latter is a sign functioning to show the source of goods, and constitutes a trademark only if it is used in respect of some goods. Hence, a fairly used trademark representation is not a trademark at all, but merely a sign identical with a trademark. As for how to determine acts of fair use, the trademark laws, regulations and judicial interpretations do not set forth any express provisions. But the Trademark Law has provided for the three circumstances where a sign should not be registered as a trademark, and Article 49 of the Regulations for the Implementation of the Trademark Law provided for the restriction on the trademark right. Under these provisions and in line with the judicial practice, we believe that for an act to be fair, three conditions should be met:

1) the use is in good faith;

2) it is not the use of a trademark as that of one's own goods; and

3) it is the use only to explain or describe one's own goods.

An act meeting these conditions, not being one of using a trademark representation as a trademark to distinguish the provider of goods and not functioning as a trademark, is not an act of the use of a trademark, so does not constitute an infringement thereof.

It needs to be explained that "explanation or description of one's own goods" includes explanation or description

of goods one makes, and the trademark owner's goods one sells, relating to among other things, use of a trademark owner's goods as part of one's own goods mentioned in the explanation or description of one's own goods; acts of fair use of the letters of "TOEFL XXX" in the titles of TOEFL-related books to show their relevance to the TOEFL; and acts of use of the trademark of its owner on materials of publicity of the goods of the trademark owner. In the judicial practice there are mainly these acts that meet the conditions for fair use of a trademark:

1) acts of using registered trademarks containing the generic name, design or model of the goods;

2) acts of using registered trademarks directly showing the character, use, quality, main raw material, class and other characteristics of the goods;

3) acts of using another person's registered trademark representation to show the source and use within the necessary scope when selling the goods;

4) acts of standard use of one's own enterprise name and trade name identical with or similar to another party's registered trademark; and

5) acts of using one's own place name identical with or similar to another person's registered trademark.

#### **15. Treatment of cases of conflict between trademarks and other commercial indications, such as enterprise name, fund name and name of real estate**

These cases should be treated with account taken of the basic function of the trademarks. That is, if any other commercial indication in use functions to show the source and to enable the relevant section of the public to distinguish the goods of one undertaking from the similar goods of another, and results in confusion on the part of the relevant section of the public, the use of the commercial indication should be determined as an act of trademark infringement. As for the defence made by an accused infringer against trademark infringement allegation on the ground of regulatory approval of the name it uses, we hold that the regulatory approval only means that its use of the name meets the administrative rules of the regulatory department concerned, but it should not serve as the basis for its non-infringement of the other person's trademark right because the regulatory department is not empowered, nor enabled, to determine whether the accused infringer's use of the name infringes another person's trademark right, nor its approval precludes the possibility for the name to be infringing another person's trademark right. Therefore, though regulatorily approved, a name that func-



tions as a trademark when in use and is sufficient to create confusion on the part of the relevant section of the public should be determined as an infringement of the trademark right in suit. It should not be determined that the name does not infringe the trademark right simply because it is regulatorily approved.

#### 16. Doctrine for determining damages and other civil liabilities for trademark infringement

When determining the civil liability for trademark infringement, the people's court finds it relatively difficult how to determine the amount of damages for the infringement. As a rule, an accused infringer would not tell the quantity of, and the profit from, its making and selling the infringing goods. Although the profit from each infringing goods can be determined on the unit profit made by the rightholder, it is impossible for the quantity of product to be calculated according to the reduced production on the part of the rightholder. However, if an accused infringer indicates the quantity of the infringing goods it makes and sells in the publication it issues to the public to promote the sale and to extend its reputation before being accused of infringement, and the rightholder requests to calculate the amount of damages based on it, in the absence of any other basis of reference, we hold that the published volume or quantity of the sales may be referred to in the determination of the sales of the infringing goods.

Besides, when a rightholder does not use its registered trademark and accuses another party of infringing its trademark and when the accused infringer argues that the rightholder suffers no damage or injury for lack of use of the trademark in suit, and refuses to be held liable for the damages, we hold that while the rightholder does not use its registered trademark, the relevant section of the public cannot associate the designated goods with its registered trademark, and the rightholder's reputation does not exist, the accused infringer's infringing act inhibits the association from occurring. Once the rightholder wants to use its registered trademark, it is difficult for it to enter into the market due to the accused infringer's unfair use of its market reputation. For this reason, with the accused infringer's infringement of the rightholder's right, the people's court should order it to stop doing so, and return its profit from the infringement to the rightholder and bring the state back to normal. If a rightholder does not use its registered trademark for three years, the registered trademark may be revoked under the law. Since the Trademark Law provides that the revocation takes effect from the date of the publication thereof by the

Trademark Office, however, the rightholder may claim its right against the infringement before that date, but its damages may not be compensated. For that reason, we hold that, if an infringement is constituted, but the rightholder has never used, nor authorised any other person to use, its registered trademark, the amount of damages may be determined depending on the time when the rightholder does not use the registered trademark, the rightholder's reasonable expenses for stopping the infringement, the nature, circumstances and scope of the infringement and the class of the infringing goods.

In trademark infringement cases, the rightholder, besides claiming damages, would also request the accused infringer to apologise for its infringement to eliminate the ill effect of the infringement. It should be said that apology is applicable to cases of infringement of the personal rights. The trademark right is a property right, so the liability for apology is not applicable thereto. The rightholder is entitled to request to eliminate ill effect, rather than requesting apology. Therefore, in trademark right infringement cases, an infringer should not be held liable for making an apology. ■

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<sup>1</sup> It is hereby provided that trademark similarity under Article 52 (1) of the Trademark Law means that the allegedly infringing trademark, by comparison, is similar to the plaintiff's registered trademark in shape, pronunciation, connotation of words or the composition and colour of the device, or in global composition upon the combination of the various elements, or in the three-dimensional shape or the combination of colour, and is likely to cause the relevant public to confuse the source of goods or think the source of goods is related, in a particular way, to the plaintiff's registered trademark.