# Judicial Determination of Infringement and Fair Use of Trademark

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By virtue of review of the relevant law provisions on trademark infringement and typical cases (especially the major cases reviewed or guided by the Supreme People's Court[1]), this article will be looking into the effect of the exclusive right in trademarks, commodity names/trade dress, enterprise names, and domain names, and the impact of the distinctive character and repute of trademarks on trademark infringement establishment in an effort to demonstrate the practice of the courts in China in definiting infringement and fair use of trademarks.

## I. Law provisions on infringement and fair use of trademarks

A trademark essentially functions to distinguish the goods or services of one undertaking from those of another.[2] The distinctive character of a trademark is one of its essential properties, which sets the goods or services of one undertaking apart from those of another to facilitate consumers to identify them. Besides, the repute of a mark helps people identify the source of goods or services.

### 1. Protection of trademark right under the Trademark Law

Given the fundamental function of a mark to indicate the source of goods or services, the Trademark Law provides for the basic protection of registered marks, under which a mark proprietor has the right to prohibit another party from using a trademark identical with or similar to his registered trademark in respect of identical or similar goods or services.[3] As for a non-registered well known trademark, the trademark proprietor has the right to prohibit others from using another party's non-registered well known trademark on identical or similar goods by way of reproduction, imitation or translation of said mark to prevent confusion in the market.[4]

By trademark similarity is meant that an alleged infringing mark is so similar to a plaintiff's registered mark in form, pronunciation or meaning of the words, or in the composition and colour of device, or in the global structure of the combination of other elements, or in the three-dimensional form or combination of colours so that it would mislead the relevant sector of the public about the source of goods, or associate the origin of the goods with the goods in respect of which the plaintiff's registered mark is used.[5]

Besides, to enhance the function of a trademark to show the source of goods or services, the protection of the trademark right is extended to prohibition of acts of reverse passing off (namely, changing the registered mark of some goods without authorisation, and putting the goods on the market).[6]

Considering the various possible circumstances of trademark infringement, the Trademark Law further empowers a mark proprietor to prohibit "any other acts infringing the exclusive trademark right."[7]

In a nutshell, following are acts infringing the trademark right under the Trademark Law:

- using a mark identical with or similar to another party's registered trademark or non-registered well known mark in respect of identical or similar goods or services;
- reverse passing off; and
- any other acts infringing the exclusive right to use a trademark

### 2. Other infringing acts as enumerated by the Trademark Office and the Supreme People's Court

Under the Trademark Office's regulations and the Supreme People's Court interpretation, "other acts infringing the exclusive trademark right" includes:

(1) using any sign which is identical with or similar to another party's registered mark as the name of or trade dress of goods on the identical or similar goods, thus misleading

the public[8];

(2) using prominently lexical items identical with or similar to another party's registered trademark as an enterprise name on identical or similar goods, which is easy to cause confusion on the part of the relevant sector of the public;

(3) reproducing, imitating and translating another person's registered well-known trademark or the main part thereof to be used on unidentical or dissimilar goods as a trademark and to mislead the public, which is likely to result in prejudice of the interests of the well-known mark registrant;

(4) registering lexical items identical with or similar to another party's registered trademark as a domain name, and conduct, via the domain name, e-commerce in the trade of relevant goods, which is easy to create confusion on the part of the relevant sector of the public.[9]

In brief, under the relevant provisions of the Trademark Office's regulations and the Supreme People's Court interpretation, following acts constitute trademark infringement:

- where a commodity name/trade dress is identical with or similar to another party's trademark;
- where an enterprise's trade name is identical with or similar to another party's trademark and is used conspicuously;
- where another party's well-known mark or its translation is used on goods in other classes;
- where a domain name is identical with or similar to another party's trademark.

Obviously, acts infringing the exclusive right to use trademarks are hard to be exhaustively enumerated. As the judicial practice shows, trademark infringement takes on a variety of forms, for example:

- trademark infringement by virtue of advertisement slogan, names of buildings, and specifications of products.

3. Law provisions limiting trademark right and relating to fair use

The Trademark Law empowers a trademark proprietor to proactively use, and prohibit others from infringing its trademark right. This exclusive right, however, does not go unlimited. In this regard, the law has specifically designed the fair use system to duly limit the trademark right exercised by a trademark proprietor. As early as 1999, the State Administration for Industry and Commerce (SAIC) expressly provided that "others' normal use of signs commonly used in the service industry and normal use of enterprise names (trade names), names, geographic names, names of venue of service provision to indicate the special features of a service and to explicate items of service do not constitute acts of infringement of service marks, except that intention of unfair competition is obviously identifiable."[10] The present Regulations for the Implementation of the Trademark Law provides: "where a registered trademark consists of the generic name, design or model of the goods in question, or directly shows the quality, main raw materials, functions, intended purposes, weight, quantity or other characteristics of the goods in question, or consists of geographical names, the proprietor of the exclusive right to use the registered trademark shall have no right to prohibit the fair use thereof by another person."[11] The Beijing Higher People's Court explains the provision that "acts of fairly using trademark representations" are:

(1) using the generic name, design or model of the goods contained in registered marks;

(2) using the sign of a registered mark directly showing the character, intended purposes, quality, main raw materials, kind, etc. of goods or services;

(3) duly using one's own enterprise name and trade name;

(4) using the geographic name of the place where it is domiciled; and

(5) any other acts that are possible to be determined as fair use of trademarks."[12]

## II. Cases of trademark infringement disputes

Cases of trademark infringement disputes heard by the courts are generally those where non-registered trademarks infringe others' registered or non-registered well-known marks, those arising from reverse passing off, and those arising from infringement of the exclusive trademark right by using commodity names/trade dresses, enterprise names/trade names, or domain names. In the judicial procedure, the court considers the distinctive character and repute of a mark in suit in analysis of the potential confusion in the market, based on which infringement is established.

1. Non-registered trademarks infringe other parties' registered marks

Lanye Brewery Corporation v. Pepsi, a trademark infringement case involving "Blue Storm" trademark[13]

In the present case, the defendant's products are famous, and the plaintiff's registered trademark not highly reputable, but the defendant's use of another party's registered

trademark constitutes trademark infringement since use of another party's registered trademark as a trademark is strictly prohibited.

In the present case, the Zhejiang-based Lanye Brewery Corporation (Lanye for short) was granted, in December 2003, No.3179397 trademark formed by combination of the words "Blue Storm, its pinyin and the device" to be used on goods in class 32, including cola soft drinks. In December 2005, Pepsi put, in the centre of its 600ml coca bottle, a device trademark presentation composed of red, white and blue colours, (with said device taking up a third space of the frontal part), in the upper part of the device mark was printed the "Pepsi Cola" word trademark representation, and in the upper parts of the two sides of said representation were indicated the words "Blue Storm and the a device composed of red, white and blue colours".

Upon hearing the case, the Hangzhou Intermediate People's Court held that Pepsi used the "Blue Storm" representation only as a trade dress on the package of the goods for a theme-focused promotion, not as a trademark. Besides, its products were famous worldwide, and on said products were conspicuously used its Pepsi trademark series, which, by far better known than the "Blue Storm" representation, looked more outstanding than the "Blue Storm" representation, and were sufficient for the average consumers to distinguish the Pepsi products from those made by Lanye.

But, the Zhejiang Higher People's Court believed that first, Pepsi had conspicuously showed the "Blue Storm" representation in its advertising of the series promotional activities, and put the "Blue Storm" representation alone on the bottle cover, which had actually rendered it into a trademark. Second, Pepsi had also put said representation on the package, which was obviously an act of trademark use. The "Blue Storm" trademark used by Pepsi was similar to the Lanye's registered trademark of "Blue Storm", and it was used on identical goods, so Pepsi's use of said "Blue Storm" trademark on its goods constituted a trademark infringement.

**COFCO v. Jiayu Company, a case of infringement of the "Great Wall" trademark[14]**

With a large-amount of damages claimed, the case was reviewed by the Supreme People's Court. Given the distinctive character and market repute of the plaintiff's trademark, the defendant's seemingly different trademark was determined as constituting a trademark infringement. The court determined the similarity with full account taken of the most distinctive elements of those composing the plaintiff's trademark.

The COFCO (Group) Co. Ltd. (COFCO for short) was the proprietor of the "Great Wall Brand" trademark No. 70855 (see Fig.1 on Page 4) registered to be used on wine in class 33.

The Beijing Jiayu Dongfang Wine Co., Ltd. (Jiayu for short) used the "Jiayu Great Wall and the device" mark (see Fig.2 on Page 4) in making and marketing wine, and said mark was published upon preliminary examination. It was yet to be approved for registration and now remains in the process of opposition.

Regarding whether the two marks were similar or not, the Supreme People's Court held that determination of the similarity of the accused trademark to the registered trademark should be made depending on the distinctiveness of the mark in suit or the elements composing it and its repute in the market; comprehensive analysis and assessment should be made of the likelihood of confusion in the market caused by the whole trademark or its main part by taking account of the form, pronunciation and meaning of the words and composition and colours of the device or the composite structure of the component elements. Where the whole trademark or its main part was likely to cause confusion in the market, it might be determined that the two trademarks were similar; or they were not. In the sense of the Trademark Law, the main part of a trademark refers to the constituting element of a trademark that is most indicative of the source of goods and most likely to be associated, by the relevant sector of the public, with the goods in respect of which it is used. The "JIAYU GREAT WALL and the device" mark and the "Great Wall Brand" mark, both composed of lexical items and devices, were distinct to an extent as a whole. But the latter, which had been registered for a long time, enjoyed good repute in the market, and better known in the market place, was more distinctive due to its specific features, pronunciation, and the higher frequency of use of the elements of "Great Wall" or "Great Wall Brand" in its combination. Said mark had such an established association with the wine made by COFCO in the wine market that the relevant sector of the public would associate the mark with COFCO's wine products and brand upon seeing the words "Great Wall" and "Great Wall Brand" or hearing it spoken. For that reason, the words "Great Wall" or "Great Wall Brand" were more distinctive in identifying COFCO's wine products, so constituted the main part of said trademark. Although the "Great Wall" meant the great Chinese ancient military works of the Great Wall in Chinese, the words "Great Wall" in COFCO's regis-

tered trademark "Great Wall Brand" had acquired stronger distinctive character due to its well-knownness, which had rendered it very exclusive with regard to any other trademark containing the words "Great Wall" in the relevant wine market, so it should be brought under stronger protection. While composed of words and device, the trademark "JIAYU GREAT WALL and the device" contained the additional two Chinese characters pronounced as "jia yu", but the words of "Great Wall" or "Great Wall Brand" in COFCO's "Great Wall Brand" registered mark were sufficiently well known and distinctive to make it likely for the relevant sector of the public to confuse the wine products bearing the "JIAYU GREAT WALL", trademark in which the words of "Great Wall" were also used, with those made by COFCO, or, at least, for them to associate them to some extent. For that matter, Jiayu's "JIAYU GREAT WALL and the device" trademark, in which the most distinctive lexical part of COFCO's registered trademark "Great Wall Brand" was used, was likely to create confusion on the part of the relevant sector of the public in the market. Besides, to accord stronger legal protection to a registered trademark well known in a specific market was conducive to encouraging the winners in the market competition, spuring fair competition and keeping the market order, and preventing others from taking advantage of their goodwill, so as to effectively promote the orderly and healthy development of the market economy. Accordingly, the Supreme People's Court decided that the "JIAYU GREAT WALL and the device" trademark Jiayu used was similar to, and had infringed, COFCO's registered trademark of "Great Wall Brand".

2. Reverse passing off

It is provided that the reverse passing off is an act of trademark infringement in the statutory Trademark Law. The amendment to this effect was made in the present Trademark Law of the former Trademark Law as a result of the classic case involving the "CARTELO" trademark.[15]

In 1993, Singapore Crocodile Pte Ltd. authorised the Tongyi Company (Tongyi for short) to sell the "CARTELO" brand commodities in Beijing, including garments. In the same year, Tongyi set up a special counter for selling "CARTELO" products in the Parkson Shopping Centre in Beijing. In 1994, Tongyi purchased the "Maple Leaf" brand men's pants made by the Beijing No. 1 Garments Plant, removed the "Maple Leaf" trademark from some pants and replace it with the "CARTELO" trademark, and sold the pants at the Parkson Shopping Centre. The Beijing No. 1 Garments Plant sued the Parkson Shopping Centre and Crocodile in the court on the grounds of infringement of its goodwill and unfair competition. Since the Trademark Law in force at the time did not provide for the acts of reverse passing off, the Beijing No. 1 Intermediate People's Court decided on the constitution of the infringement by virtue of unfair competition.

Rugao City Machinery Plant v. Yide Corporation, a case of infringement of the "YINZHI" mark[16]

With the present Trademark Law entering into force, there is specific law basis for the court to establish reverse passing off. In this case, the defendant's act of detaching another party's trademark and the trademark representation from the products bearing them and market the products was established as infringing said trademark.

The Rugao City Machinery Plant, an enterprise making and marketing printing machinery, was licensed, in December 1991, the "YINZHI" trademark, and it used said trademark and its representation on the offset press. The Yide Corporation was incorporated in July 1997, with scope of business operation covering assemblage, repair and sale of printing machinery. Starting from 2001, Yide bought the used "YINZHI" brand printing machines on several occasions, and then removed the trademark plate off the machines, reprint and sold the machines to its customers without any trademark or representation on.

The Nantong Intermediate People's Court held, upon hearing the case, that as a link between the trademark proprietor and user of said mark, a registered trademark enhances the repute and competitiveness of said goods, enable users to identify the manufacturer and see the full value of the goods, increase the chance of the transaction of the goods in the market, and make it possible for the trademark proprietor to achieve its maximum economic benefits when the trademark circulated on and along with the goods in respected of which the registration of said mark has been approved. In this way, a trademark and the goods are inseparable. The trademark proprietor is entitled to protect the integrity of the trademark and ensure its economic benefits in the entire circulation of the goods, within which the act of removing the original trademark had evidently cut off the link between the trademark proprietor and the user of the goods, making it impossible for the user of the goods to get to know about the genuine manufacturer of the goods, and thus depriving them of the right to identify the manufacturer and trademark of said goods. Besides, it would put to an end the market expansion of said goods, directly infringes the trademark proprietor's exclusive right to use said mark, and ulti-

mately impairs its economic interests. Therefore, Yide's act to remove the "YINZHI" brand trademark and the trademark representations in the transaction of the goods in suit constituted a trademark infringement.

3. Trademark infringement with commodity name/trade dress

Yilai Corporation v. Fuxiang Corporation, a case of dispute arising from infringement of the trademark "VENUS"[17]

With a large amount of damages involved, this lawsuit was an important case reviewed by the Supreme People's Court. In this case, the court held the trademark in suit weak in its distinctive character and the alleged infringing goods famous, use of the representation of the mark in suit on the goods as a name showing the specification of the goods was not a conspicuous use, and was unlikely to create confusion about the goods.

The Shenyang Yilai Ceramics Industry Co., Ltd. (Yilai for short) applied, in February 1999, for and was grant, in April 2000, the registration of the trademark composed of the two Chinese characters meaning "Venus" (the mark for short). The shanghai Fuxiang Old Porcelain Co., Ltd. (Fuxiang for short) was granted the registration of the trademark composed of the three Chinese characters meaning "Asia", and began, from 1999, to use the Chinese words meaning "Venus", "Cupid", "Mozart" and "Maria" for its series of ceramic products. Fuxiang printed its mark and the names of the series of goods on the package of the ceramic tiles of the brand to show the different variety of products. Fuxiang's trademark was established as a famous mark in Shanghai.

In hearing the case, the Liaoning Higher People's Court believed that Fuxiang's goods were famous brand products, and the use of its registered word and device trademark on the package did not constituted conspicuous use of the word meaning "Venus", nor did Fuxiang intend to take advantage of the plaintiff's "VENUS" brand. The Supreme People's Court further held that in determining whether use of a sign identical with or similar to another party's registered trademark on the same or similar goods as a name of the goods was an act of infringement under the Trademark Law, one of the necessary conditions for the determination was whether said sign was likely to mislead the public. In this case, while the word meaning "Venus" used by Fuxiang was identical with the appellant's registered trademark on the ceramic tiles, the relevant goods were sold in different channel as the goods with the word meaning "Venus" printed on its package were only marketed in the store for its own brands of ceramic products. Paying the average attention, the average consumers would not confuse the series of goods marketed there with the goods in respect of which the registered trademark of the word meaning "Venus" was used. Besides, considering the distinctive character of trademarks, the word meaning "Venus" and the famous sculptural work had its own meaning, which weakened its distinctive character as a trademark, and Yilai failed to present evidence to prove the closer association of the word meaning "Venus" with its ceramic products by way of considerable use and advertising. For that reason, Fuxiang's use of the word meaning "Venus" did not constitute a trademark infringement.

4.Trademark infringement with enterprise name/trade name

Once an enterprise is incorporated under law, its enterprise name and trade name are susceptible for legal protection. However, the enterprise name and trade name should not conflict with another party's registered trademark, especially with its trademark having certain repute. Of trademark infringement cases of the nature, those involving "ZHANG XIAOQUAN" trademark and "STARBUCKS" are the most typical ones.

The Hanzhou-based Zhang Xiaoquan Company v. the Shanghai-based Zhang Xiaoquan Knife and Scissors General Store, a trademark infringement case involving the "ZHANG XIAOQUAN" trademark.[18]

In this case, since the latter (the defendant) registered its enterprise name earlier than the plaintiff's approved registration of its trademark, the trade name "ZHANG XIAOQUAN" in its enterprise name was kept, but it should be used inconspicuously and in a regulated manner though the trade name "ZHANG XIAOQUAN" in the enterprise name was identical with the plaintiff's "ZHANG XIAOQUAN" trademark.

The Hangzhou Zhang Xiaoquan Group Co., Ltd (its predecessor is the Hangzhou Zhang Xiaoquan Knife and Scissors Plant) and the Shanghai-based Zhang Xiaoquan Knife and Scissors General Store were both incorporated in the 1950s. The former applied for, in 1964, and was granted in 1981, the registration of the "ZHANG XIAOQUAN" trademark, which was established as a well-known mark in China in 1997, and the latter used an enterprise name containing the word "ZHANG XIAOQUAN" for historical reasons, and used the words "Shanghai ZHANG XIAOQUAN" on the package of its products. Considering the historical complication, the Shanghai Higher People's Court reported the case

to the Supreme People's Court for directions. The Supreme People's Court held:[19]

"With their respective scope of right, the enterprise name right and the exclusive right to use a trademark are both protected under the law. After an enterprise name is approved for recordal, the rightholder has the right to use the enterprise name in its civil activities if it does not infringe another party's lawful rights and interests, and prevent another party from recording a name identical with it, and prohibit another party from passing anything off as the enterprise name. It is better not to determine the Shanghai Zhang Xiaoquan Knife and Scissors General Store's former use of the words "ZHANG XIAOQUAN" or "Shanghai ZHANG XIAOQUAN" as an infringement of the Hangzhou Zhang Xiaoquan Group Co., Ltd.'s lawful rights and interests, and Shanghai Zhang Xiaoquan Knife and Scissors General Store should use the recorded enterprise name on its goods and services in a regulated manner."

The Supreme People's Court also held: "where use of a word identical with another party's prior registered trademark or well-known mark as an enterprise name or a part of the enterprise name by an enterprise in a business with its business character identical with or closely related to the goods or services in respect of which the registered trademark has been approved for registration is likely to objectively dilute the other party's well-known mark, and impair the trademark registrant's lawful rights and interests, the People's Court should curb such an act at the request of the interested party. As for this case, the Supreme People's Court suggested considering these factors when making the judgement in the case: "the Shanghai Zhang Xiaoquan Knife and Scissors General Store was incorporated earlier and its repute higher"; "besides, for the word "ZHANG XIAOQUAN", as a trade name or a trademark, its repute or goodwill was historically generated."

The Shanghai Higher People's Court later made its ruling in July 2004 that the Shanghai Zhang Xiaoquan Knife and Scissors General Store had used the word for historical reasons, so its use did not constitute a trademark infringement and unfair competition, but it should use the enterprise name on its goods or services in a regulated manner.

**Starbucks Corporation v. Shanghai Xinbake, a case of infringement of "STARBUCKS" trademark[20]**

The present case is unlike the "ZHANG XIAOQUAN" case in that before the defendant registered its enterprise name, the plaintiff had registered its trademark, and said trademark had been reputable, so the defendant was ordered to cease using its enterprise name that was identical with the plaintiff's trademark.

In 1996 and 2003, the plaintiff respectively registered, in mainland China, the word and device trademarks "STARBUCKS" and "STARBUCKS COFFEE" to be used in respect of goods and services in classes 30 and 42, and in 1999 and 2000 the "Xingbake" (the Chinese translation of "STARBUCKS") trademark in mainland China to be used in respect of goods and services in class 42. The defendant Shanghai Xingbake Corporation was incorporated on 9 March 2000, and used "Xingbake" as its trade name. The plaintiff found out that the defendant and its branches used, in their coffeeshops' signs identical with or similar to the trademarks of "STARBUCKS", "Xingbake" and "STARBUCKS and the device".

Upon hearing the case, the court first established the "STARBUCKS" trademark (in class 42) and "Xingbake" trademark (in class 43) as well-known marks. In establishing the infringement, the court held that the Shanghai Xingbake Corporation's act to have registered the Chinese word pronounced "xing ba ke" as its enterprise name and used the Chinese and English words and device representations in all its business activities constituted an infringement of Starbucks' trademark right. The plaintiff enjoyed the prior right to use the Chinese "xingbake" word. The defendant's registration of the word as the trade name in its enterprise name was an act taking advantage of another party's well-known mark in bad faith. Any business operator should observe the principles of voluntoriness, equality, fairness and honesty and credibility and the accepted business ethics. The defendant's chain coffeeshops, also providers of coffee-related services, was a competitor of the plaintiff. Its "xingbake" trade name was the key part of its enterprise name, and was exactly identical with the plaintiff's "Xingbake" word trademark. The defendant's registration of the word as the trade name in its enterprise name was an act taking advantage of another party's well-known mark in bad faith, and misled the relevant sector of the public about the trademark proprietor and the enterprise name owner, its act constituted an act of unfair competition against the plaintiff. Correspondingly, the defendant was ordered to change its enterprise name, cease using the word of "xingbake" identical with the plaintiff's trademark.

**5.Trademark infringement with domain names**

**Philips v. Jiang Haixin, a case of dispute over domain**

name[21]

Under the Supreme People's Court's judicial interpretation, a domain name is possible to infringe a trademark. In this case, the domain name in suit was similar to another party's trademark; and the court decided that said domain name infringed the involved trademark right.

Philips first registered the PHILIPS trademark in Netherlands in 1891, and registered said trademark in China in 1980, with its registration numbered 135046. Philips CSI (Philips Communication, Security and Imaging) Department opened the website: "philipscsi.com" Jiang Haixin was the legal representative of the Shanghai Xinwu Intellecgency System Engineering Co., Ltd. (Xinwu for short), which was authorized by the Philips' CSI Department as a dealer for selling, installing and repairing the latter's products in mainland China. In March 2002, Jiang Haixin registered the domain name "philipscis.com", which was very similar to the above domain name, and, with it, opened a corresponding English website, on the home page of which information of the philips' CSI Department could be found, with the copyright owner Xinwu indicated. In September 2002, the WIPO Arbitration and Mediation Center decided that the domain name "philipscis.com" be transferred to Philips. Dissatisfied with the decision, Jiang Haixin sued in the court. The court held that the first seven letter of his domain name "philipscis.com" were exactly identical with Philips' "PHILIPS" trademark, and the latter three letter "cis" was different from the name of Philips' CSI Department in the order of these letters. It should be decided that his domain name was similar to Philips' trademark, and sufficient to mislead the relevant sector of the public. Jiang Haixin had registered and used said domain name without justification. And had no right in said domain name or in the main part thereof. Registering said domain name, Jiang Haixin intended to take advantage of Philips' reputation, mislead the internet users by attracting them to his own website, so he was in bad faith, and infringed Philips' lawful rights and interests. Accordingly, Jiang Haixin's domain name "philipscis.com" had infringed Philips's trademark right.

**6.Other trademark infringement cases that have drawn attention from the Supreme People's Court**

**Handu Corporation v. TCL Group Corporation, a case of infringement of the "QIANXILONG" trademark[22]**

This case involved whether an advertising word constituted a trademark infringement. The Supreme People's Court highlighted, in its direction on this case, the trial standards and the factors to be considered. The first such factor was the repute and distinctive character of the mark in suit.

In December 1998, Handu applied to the Trademark Office for, and was granted, the registration of "**千禧龙** QIANXILIONG" (the Chinese characters and their pinyin meaning "Millennium Dragon) word mark to be used on goods of television sets in class 9, with the registration certificate no. 1231026. Handu advertised and publicized said mark, but did not make television sets bearing the mark. From 18 December to 30 January 2000, to promote the sales of the TCL Wangpai brand colour TV sets, TCL and its branch the TCL Consumer Electronics Marketing Co., Ltd. launched the promotion with the theme of "QIANXILONG" Compaign in some large cities around China, with the words meaning "Grand Millennium Dragon Promotion" and the Dragon device used in the advertisement.

The Jinagsu Higher People's Court reported the case to the Supreme People's Court for instruction when hearing the case for the second instance. The Supreme People's Court held:

"Whether use of the words identical with or similar to another party's registered trademark in products promotion has infringed his exclusive right to use the trademark should be judged by the standards of whether such use is likely to create confusion about the source of goods or services on the part of the relevant sector of the public, whether advantage has been taken of another party's goodwill in its registered trademark to seek illicit benefits or whether the use would cause damage to the exclusive right to use said registered trademark.

Since use of words identical with or similar to another party's registered trademark in products promotion is different from direct use of another party's registered trademark in provision of goods or services, the facts of "confusion creation", "taking advantage of" or "causing damage" should be determined with special attention paid to the following. First, the repute and distinctive character of the registered trademark involved should be considered. The distinctive character of a trademark, namely the degree of distinctiveness, is one of the important factors in determining, in trademark infringement litigation, the scope of the exclusive right to use a trademark and in establishing infringement. A trademark of high repute and strong distinctive character is more likely to be confused or taken advantage of, and vice versa. Second, the specific circumstances of using another party's trademark in promotion should be analysed to find out

whether the other party's trademark in promotion is used as one's own trademark or name of one's own goods, whether such use is likely to create confusion about the source of goods or services on the part of the relevant sector of the public, or mislead them about the providers of the goods or services are specially associated in terms of the mode and time of using another party's trademark."[23]

Accordingly, the Jiangsu Higher People's Court decided that TCL did not infringe the trademark in suit, holding that (1) though using the word of "QIANXILONG" in its publicity, TCL used its registered trademark "TCL" in the visible place, which objectively made it unlikely for the relevant sector of the public to mistake it for a trademark; (2) the year 2000, the Chinese year of Dragon, marked the beginning of a new millennium. To usher in 2000, the Year of Dragon, TCL launched the promotion by this name within this period of time, and its use of "QIANXILONG" as an expression of the event was an instance of normal use; and (3) while enjoying its exclusive right to use the "QIANXILONG" trademark, Handu did not make any television set of the brand, nor had it licensed any other party to use it on goods of television sets, nor had TCL used the trademark to seek illicit benefits for itself, so its use did not constituted a trademark infringement.

**Liyuan Corporation v. Jinlanwang, a case of infringement of the trademark "BAIJIAHU"[24]**

This case involved whether use, in advertisement, by a real estate seller of a place name contained in another party's registered trademark infringed the exclusive right to use said registered trademark. With different views held by the courts at different levels, the case underwent ups and downs. The Supreme People's Court emphasised again in its directions that the repute of the trademark should be a factor to be considered in determining likelihood of confusion.

The Nanjing Liyuan Property Development Co., Ltd. (Liyuan for short) was the developer of the Baihuahu Garden Residential Area, and was granted, in 2000, the registration of the "BAIJIAHU" trademark to be used in respect of the business scope covering fixed assets services, but not covering real estate development and construction. In October 2001, the Nanjing Jinlanwang Real Estate Development Co., Ltd. (Jinlanwan for short) named its newly developed high-rising residential tower "Baijiahu" Maple Land, and used the name in advertising the project.

The Nanjing Intermediate People's Court held that the defendant had used the place name "Baijiahu" in fair manner and in good faith, while the Jiangsu Higher People's Court believed that its use of said name in its advertising the project and in the instrument of the project was not in good faith. It infringed Liyuan's exclusive right to use said "BAIJIAHU" trademark.

Later, the Jiangsu Higher People's Court decided to retry the case, and reported it to the Supreme People's Court for instruction on how to decide the case. The Supreme People's Court noted that the following factors should be considered in hearing the case:

"1) Regarding the user's objective and mode of using the place name. The user's use of the place name to show the place of production, geographic location as it was commonly understood should be deemed to be fair use of the place name;

2) As regards the repute of the trademark and place name. If the word used is reputable as a trademark, it is usually more likely to create confusion or mistake on the part of the relevant sector of the public; if it is reputable as a place name, it is less likely for them to get confused or mistaken;

3) Relating to the classification of the relevant goods or services. The classification of the relevant goods or services often determines the necessity for showing its geographic location, but showing the geographic location in sales of real estate should be generally deemed to be based on the need imposed by the natural property of the goods;

4) As for the attention the relevant sector of the public would pay when choosing such goods or services. According to the average attention the relevant sector of the public pay when choosing such goods or services, examination is to be made to determine the likelihood of confusion about the source of goods or services as a result of this use; and

5) About the specific environments and circumstances of using the place name. Conspicuous use of a place name to highlight the geographic advantage in real estate advertisement and conspicuous use of it on ordinary goods on advertisement of ordinary goods to highlight the place of production of the goods are often different in the attention the public would pay and in the effect brought about.[25]

Accordingly, the Jiangsu Higher People's Court, not believing the "BAIJIAHU" trademark was strongly distinctive and reputable, decided that while the trademark proprietor had the right to prohibit another party from using the representation identical with or similar to his registered trademark on identical or similar goods or services, he had no right to

prohibit another party from fair use of the place name contained in the registered trademark to show the source of goods, and its relation with the geographic location; Jinlanwan's use of the word "Baijiahu" in its sales of its real estate products was unlikely to create confusion or mistake on the part of the relevant sector of the public, so its use of said word was due and fair.

## III. Conclusion

The trademark protection involves all aspects of commercial activities, including prohibition of one party from using the other party's registered trademark or non-registered well-known mark as it is own name or domain name. The trademark protection is affected by the distinctive character and repute of a trademark at issue in such a way that the more distinctive a trademark is, the more reputable it is, and the more strongly it is protected. In other words, the trademark is protected across wider classes of goods or services and in terms of more similar goods or services. Likelihood of confusion in the market is the key to establishing trademark infringement. When protecting a trademark under the law, the court should allow fair use of trademarks. The distinctive character and repute of a trademark have important impact on the establishment of trademark infringement.■

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[1] The judicial regime in China consists of courts at four levels. The average trademark infringement cases are under the jurisdiction of the Intermediate People's Courts in the place where a provincial capital is located or that of a specially authorized district court or an Intermediate People's Court. Correspondingly, the Higher People's Court and Intermediate People's Court have the jurisdiction over these cases as the second-instance courts. The Supreme People's Court reviews or gives instruction on cases of major importance.

[2] See Article 15 of the TRIPs.

[3] See Article 52 (1) of the current Trademark Law and Article 38 (1) of the Trademark Law as of 1993. The two versions of the Trademark Laws set forth the same provision.

[4] See Article 13 of the current Trademark Law.

[5] See Article 9 of the Supreme People's Court's Interpretation of Several Issues Relating to Application of Law to Case of Civil Dispute over Trademarks issued on 12 October 2002; the same provision can be found in Article 9 of the Beijing Higher People's Court's Explanation of Several Issues Relating to Trial of Cases of Civil Dispute over Trademarks.

[6] See Article 52 (3) of the current Trademark Law. This provision was not set forth in the Trademark Law as of 1993.

[7] See Article 52 (5) of the current Trademark Law.

[8] Article 50 of the Regulations for the Implementation of the Trademark Law.

[9] See Article 1 of the Supreme People's Court's Interpretation of Several Issues Relating to Application of Law to Case of Civil Dispute over Trademarks.

[10] See Article 7 (7) of the Opinions on Several Issues Relating to protection of Service Marks as of 1999.

[11] See Article 49 of the current Regulations for the Implementation of the Trademark Law.

[12] See Article 9 of the Beijing Higher People's Court's Explanation of Several Issues Relating to Trial of Cases of Civil Dispute over Trademarks.

[13] See Zhejinag Province Higher People's Court's Civil Judgment No. Zheminsanzhongzi74/2007.

[14] See the Supreme People's Court's Civil Judgment No. Minsanzhongzi 5/2005.

[15] See the Beijing No.1 Intermediate People's Court's Civil Judgment No. Zhongjingzhichuzi 566/1994.

[16] See the Supreme People's Court Gazette, 2004, issue 10 (General no.96), P.35.

[17] See the Supreme People's Court's Civil Judgment No. Minsanzhongzi 2/2004.

[18] See the Shanghai Higher People's Court's Civil Judgment No. Hugaominsan (zhu)zhongzi 36/2007.

[19] See the Supreme People's Court's Instruction No. Minsantazi 1/2003.

[20] See the Shanghai Higher People's Court's Civil Judgment No. Hugaominsan (zhu)zhongzi 32/2006.

[21] See the Shanghai Intermediate People's Court's Civil Judgment No. Huerzhongminwu(zhu)chuzi 214/2002.

[22] See the Jiangsu Higher People's Court's Civil Judgment No. Suminsanzhongzi 025/2003.

[23] See the Supreme People's Court's Instruction No. Minsantazi 4/2003 and the Jiangsu Higher People's Court's Civil Judgment No. Suminsanzhongzi 025/2003.

[24] See the Supreme People's Court Gazette, 2005, issue 10 .

[25] See the Supreme People's Court's answer to the Report from the Jinagsu Higher People's Court on Jinlanwang Real Estate Development Co., Ltd. v. Nanjing Liyuan Property Development Co., Ltd., a Case of Dispute over Trademark Infringement.