

# Latest Developments in Trial of Trademark Cases by Beijing Higher People's Court in 2009

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

In 2009, the Intellectual Property Tribunal of the Beijing Higher People's Court accepted a total of 235 administrative trademark cases and 32 civil trademark cases, with 214 cases of the former and 29 of the latter closed. Many of these cases were serious, difficult and complicated to handle, with relatively many legal issues involved. The Beijing Higher People's Court has come up with some new views and practice in hearing these cases.

### Administrative trademark cases

#### 1. Determination of mode of proving copyright as prior right

Where a requester claims that a trademark in suit infringes his prior copyright under Article 31 of the Trademark Law, he should prove that he is the rightholder or interested party of the prior copyright. When a requester claims that a prior copyrighted work is the device of his prior registered mark, but fails to produce any other valid evidence to prove that he is the rightholder or interested party of the work involved, if the requester is not a natural person, it is undue to directly determine that the requester enjoys the prior copyright in the work.

In the administrative case of dispute over trademark cancellation between the Fujian Shishi City Laorenceng (meaning "old men city" in Chinese) Garments Co., Ltd. (LRC) and the Trademark Review and Adjudication Board (TRAB) and a third party Huayuan Corporation (Huayuan), Huayuan claimed that the registration of the mark in suit had infringed its copyright in the designed work contained in its reference mark under Article 31 of the Trademark Law, and requested to cancel the registration of the mark in suit. The TRAB found that LRC's registration, without authorisation therefrom, of the mark in suit "the designed old man's head",

in which Huayuan enjoyed the prior copyright, had constituted the circumstance of infringement of another party's existing prior right as mentioned in Article 31 of the Trademark Law, and decided to have cancelled the registration of the mark in suit. Dissatisfied with the decision, LRC brought an action in the court, and the court upheld the decision made by the TRAB.<sup>1</sup>

In the second-instance trial, the Beijing Higher People's Court found that even if it was possible to determine that the prior right Huayuan expressly claimed was the prior copyright and the designs of the two reference marks constituted copyrighted works under the Copyright Law, it should not be decided, in the present case, that the registration of the mark in suit had infringed the prior copyright Huayuan enjoyed. Any interested party claiming the copyright in a work should be under the relevant burden of proof. Huayuan argued that the application for registration of the reference marks and the statement that Huayuan was the proprietor of the reference marks carried in the Gazette publishing the grant thereof indicated that it enjoyed the copyright in the designs of the reference marks; the evidence available in the case showed that Huayuan was the proprietor of the reference marks in the present case. However, even if it was possible to deem the application for registration of the reference marks and publication of the grant thereof to be the publication of the designed work of the reference marks, this act only demonstrate, to the public, that Huayuan was the proprietor of the registered sign of the reference marks, but did not necessarily indicate that Huayuan was the holder of the copyright in the designed work of the reference marks. In other words, application for registration of a mark and publication of the grant thereof only showed the proprietary right of a registered mark, and did not naturally show that of the copyright in the designed work of said registered marks. The first-in-

stance court's judgment that registration of the mark in suit infringed Huayuan's prior copyright was factually and legally groundless. The second-instance court reversed the first-instance judgment and the TRAB's adjudication, and ordered the TRAB to re-decide the case.<sup>2</sup>

## 2. Determination of application of law to unhealthy influences and protection of geographical indications

Article 10, paragraph one (8) of the Trademark Law provides that any sign detrimental to socialist morals or customs, or having other unhealthy influences should not be used as a trademark. Article 16 of the Law provides that where a trademark contains or consists of a geographical indication in respect of goods not originating from the place indicated, misleading the public as to the true place of origin, the application for registration thereof should be refused and the use of the mark prohibited. Since Article 10 of the Trademark Law is a provision on prohibition of some signs used as trademarks, what should be examined is whether there is any cause to prohibit a sign *per se* to be used as a mark. The circumstance where a sign *per se* is possible to be used, or even registered, as a mark, but the mark applicant is not entitled to the right of the registered mark in said sign out of his own reason does not fall into the one referred to in this provision of "having other unhealthy influences", or "use of the sign shall be prohibited", but more possibly, into the one referred to in Article 16 concerning geographical indications. However, in the Trademark Examination and Adjudication Standards promulgated by the Trademark Office and TRAB, the acts "likely to mislead the public" and "likely to mislead the public about the origin of goods or services" are regulated under the provision concerning "other unhealthy influences". Consequently, erroneous application of law sometimes happen in practice.

In the case of administrative dispute over the reexamination of refusal of trademark "Yangliuqing" between Lu Shaohua and the TRAB,<sup>3</sup> the Beijing Higher People's Court found that the TRAB's decision on refusal of the application and the Beijing No. 1 Intermediate People's Court's conclusion were correct; but the refusal of the mark applied for registration was not because it was a sign "having other unhealthy influences", but because it fell into the circumstance referred to in Article 16 of the Trademark Law where the application for registration of geographical indication was likely to mislead the public. For that matter, while the decisions made by the TRAB and the Beijing No. 1 Intermediate People's Court were maintained, what applied was Article 16, not

Article 10, paragraph one (8) of, the Trademark Law.

## 3. Determination of regional standards regarding generic names

Article 11, paragraph one (1), of the Trademark Law provides that signs which consist exclusively of generic names, designs or models of the goods in respect of which the trademark is used should not be registered as trademarks. While the essential rule of law application to generic names is specified, no regulations on how to determine generic names are formulated. Before determining the regional standards regarding a generic name, the standard regarding from whose perspective a generic name should be first determined, that is, determination as to whether a sign is a generic name should be made mainly from the perspective of consumers, manufacturers or businesses. Considering from the perspective of the Trademark Law and the primary function of a trademark, it is correct to determine as to whether a sign is a generic name from the perspective of consumers. The scope of consumers determines the regional standard based on which a generic name is determined: if the consumers of goods spread all over the country, the determination of whether a sign is a generic name should be made from the perspective of consumers nationwide; if they are limited or mainly limited to some region of the nation, then the determination of a generic name is based on the regional standard.

In the case of administrative dispute over "Languiren" mark between the Chengmai Wanchang Tea Farm and the TRAB and Hainan Province Tea Industry Association,<sup>4</sup> evidence available showed that using the name "Languiren" in the flavored goods of oolong tea was commonly seen in the tea growing regions in provinces, such as Fujian, Hainan, Yunnan, Guangdong and Guangxi Autonomous Region. For that matter, both the TRAB and the court found that whether "Languiren" was a generic name should be determined by taking account of the regions where the relevant tea was produced and marketed. While the "Languiren" tea of the trademark registrant was once marketed in Tianjin, Xuzhou and Sichuan, only the "Languiren" tea was available in those places. In the eyes of the consumers in provinces, like Fujian, Hainan, Yunnan, Guangdong and Guangxi Autonomous Region, "Languiren" was a generic name.

## 4. Determination of application of law to design devoid of distinctive character

Article 11, paragraph one, of the Trademark Law consists of three provisions. The first is a provision on generic

names, designs and models of goods; the second descriptive signs; and the third other signs devoid of distinctive character. In examining whether a sign is devoid of distinctive character, the first two provisions should apply first; the third, a covering-all provision of Article 11 of the Trademark Law, is applicable when the first two are not.

In the two cases concerning reexamination of refusal of trademarks “Yunjin” and “Songjin”(“jin” means a brocade in Chinese) involving Lu Shaohua and the TRAB,<sup>5</sup> both the Beijing No. 1 Intermediate People’s Court and the Beijing Higher People’s Court found that the marks “Songjin” and “Yunjin” applied for registration were names for a textile material, and they were the generic name of a particular kind of goods, such as textiles, brocade, velour, printed silk articles, silk and knitted articles in respect of which the marks applied for registration were to be used; their registration to be used in respect of these goods was not sufficient for the relevant sector of the public to distinguish the source of the goods, nor did they have any distinctive characters. Accordingly, registration of the marks applied for registration was contrary to the provision of Article 11, paragraph one (1), of the Trademark Law, and should be refused. Regarding the goods, such as silk interwoven picture, brocade figure, painting on velour and silk work of art, in respect of which the marks applied for registration were used, given that it was likely to cause the relevant sector of the public to deem the goods in respect of which said marks were used to indicate the feature of the material of the said goods, which was not sufficient for the relevant sector of the public to distinguish the source of goods for lack of distinctive character, the registration of the marks applied for registration to be used in respect of the above-mentioned goods was contrary to the provision of Article 11, paragraph one (2), of the Trademark Law, and should be refused. Article 11, paragraph one (3), of the Trademark Law also concerned the absence of distinctive character of a mark. However, this covering-all provision applied only when the mark applied for registration did not fall into the circumstance mentioned in the first two items.

#### 5. Determination of “misleading the public” in protection of well-known marks

Article 13, paragraph two, of the Trademark Law provides that “a trademark that is applied for registration in respect of non-identical or dissimilar goods shall not be registered and its use 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”. Generally, the TRAB interprets the phrase “misleading the public” mentioned here as “confusion” or “misidentification” under the Trademark Law, and dilution of a mark would not extendedly be mentioned. However, in respect of registration of a mark similar to a well-known one in respect of goods not related at all, interpretation of “misleading the public” made also on the basis of the “confusion” doctrine seems unconvincing. For us, after the implementation of the Interpretation of the Supreme People’s Court of Several Issues Relating to Application of Law to Trial of Civil Cases of Dispute over Protection of Well-known Marks, it is possible to use the dilution doctrine to interpret the provision regarding “misleading the public”, and accord due protection to well-known marks.

In the case of administrative dispute over “Dong Zhi Tang” (the first two Chinese characters were the same as the Chinese translation of “Toshiba”) mark between Dongzhitang Drug Industry (Anhui) Co., Ltd. and the TRAB and Toshiba Corporation,<sup>6</sup> the reference mark “Toshiba” of the Toshiba Corporation was a registered well-known mark used in goods of consumer electronics, and the mark in suit was registered to be used in drugs. The TRAB, finding that it was likely to cause consumers to wrongly believe that there existed certain association between the two marks in use, so it would mislead the public, revoked the registration of “Dong Zhi Tang” mark. The Beijing Higher People’s Court finally interpreted the provision on “misleading the public” according to the dilution doctrine and upheld the decision made by the TRAB.

In the case of administrative dispute over reexamination of opposition to “伊利 Yili” mark between the Inner Mongolia Yili Industry Group Co., Ltd (Yili for short) and the TRAB and Youchenghe,<sup>7</sup> Youchenghe applied for registration of the “伊利 Yili” mark under opposition to be used in goods of faucet in class 11; Yili’s reference mark “Yili and the device” was established as a well-known mark used in dairy products and cold drinks. Both the Beijing No. 1 Intermediate People’s Court and Beijing Higher People’s Court held that the provision “... misleads the public, and the interests of the registrant of the well-known mark are likely to be damaged ...” of Article 13, paragraph two, of the Trademark Law referred to the circumstances where the relevant sector of the public would possibly believe that there existed considerably association between another party’s mark and the proprietor’s the well-known mark, consequently, diminishing the distinctive-

ness of the well-known mark, and damaging or taking advantage of the market reputation of the well-known mark. The reference mark “Yili and the device” was well-known, and the goods of dairy products in respect of which the mark was used were daily commodities with a large group of consumers in China. For that matter, Youchenghe’s act of using “Yili” as the major portion of the mark under opposition, though the class of the designated goods of faucet was not associated with Yili in manufacture and marketing, had actually took undue advantage of the reputation of Yili’s well-known mark, and cut apart the intrinsic relations between “Yili” mark and Yili and its dairy products, possibly resulting in dilution of the distinctiveness of the well-known “Yili” mark. Both the court of two instances made judgments to have refused the registration of the mark under opposition.

#### **6. Determination that similar goods should be compared one by one**

In handling some cases, in making comparison to find out whether the goods in respect of which two marks are used or approved to be used are similar, the TRAB generally does so only through citing such phrase as “the goods in respect of which the mark in suit is to be used are similar to those in respect of which the reference mark is used” to refuse the application for registration of a mark or cancel the registration of a later mark without comparing the goods involved one by one. In handling many cases, the Beijing Higher People’s Court found that goods should be compared one by one, as in the case of administrative dispute over reexamination of refusal of “途安 TOURAN” mark between the Volkswagen and TRAB<sup>8</sup>, and that over “Wangzi” (meaning “prince” in Chinese) mark between the Xiamen Xinshengjie Enterprise Co., Ltd. and TRAB and Prince Paper Manufacturing Corporation<sup>9</sup>.

#### **7. Determination of what impact the repute of a mark under opposition or in suit has on establishment of similar marks**

Under Articles 9 and 10 of the Interpretation by the Supreme People’s Court of Several Issues Relating to Application of Law to Trial of Cases of Civil Dispute over Trademarks, whether two marks are similar should be established by way of comparing the marks in shape, pronunciation and meaning of the words of the marks, with account taken of the repute and distinctiveness of the prior mark and on the basis of the average attention of the relevant sector of the public by way of global observation, comprehensive judgment, separate comparison and comparison of main parts of the

marks involved; marks likely to confuse consumers or mislead them should be determined as similar. In the above-mentioned requirement for establishment of similar marks, it is mentioned only that consideration should be taken of the similarity of the trademarks involved on the basis of the repute of a prior mark, with no express opinions given on whether the repute of the mark under opposition or in suit should be taken into account. Regarding this, we believe that while taking account of the repute of the prior mark, the impact of the repute of the mark under opposition or in suit on establishment of similarity should also be considered because if the mark under opposition or in suit has become reputable through use, it is possible for consumers to distinguish it from the prior reference mark, and no confusion or misidentification would be caused. As a result, they are not similar marks.

In the case of trademark dispute over “九鹿·王 Nine Deer King” between the Jiangsu Jiuluwang Garments Co., Ltd. (Jiuluwang for short) and the TRAB and the Inner Mongolia Luwang Cashmere Co., Ltd. (“lu wang” means “a deer king” in Chinese) (Luwang for short)<sup>10</sup>, the “Luwang” mark the Luwang registered earlier used in respect of goods of cashmere sweater in class 25 was a well-known mark; the “九鹿·王 Nine Deer King” the Jiuluwang registered later was approved to be used in respect of the goods, such as clothes and pants, in class 25. The TRAB and the former trial court found that the marks of “鹿王 King Deer and the device”, “Luwang and the device” and “九鹿·王 Nine Deer King” constituted similar marks used in respect of identical or similar goods.

The Beijing Higher People’s Court held that, in judging similarity of trademarks, similarity of signs is different from similarity of trademarks. The former only refers to similarity of the devices of the signs *per se* of two marks while the latter refers to both that of the signs of marks and the use of marks in respect of identical or similar goods causing confusion and misidentification on the part of the public. Whether confusion and/or misidentification is caused should be considered in deciding similarity of trademarks; where similar signs are unlikely to create confusion and/or misidentification on the part of the public, constitution of similar marks should not be determined. In the present case, the mark of “鹿王 King Deer and the device” consisted of the Chinese characters “鹿王”, English words “King Deer” and the device of a deer head, and was approved to be used in respect of goods of clothes in class 25; the mark of “九鹿·王 Nine Deer King”

was approved to be used in respect of goods, such as clothes and pants, in class 25. The signs of both marks consisted of the Chinese characters “鹿王”, English words “Deer” and “King”, but they were obviously different in the other words used, in the structure of the device and words/characters and in overall arrangement. The Jiuluwang produced, in its litigation, the evidence to prove that its mark was well known to an extent. Due to the two interested parties' use of their respective marks, both marks were well known to a certain extent. Besides, the “鹿王 King Deer and the device” mark was used mainly in respect of goods of cashmere sweater, while the mark of “九鹿·王 Nine Deer King” in respect of goods of man's clothes and pants. This being the case, the two marks were different in goods in respect of which the marks were used, consumer groups and channel of commerce; it was possible for the relevant sector of the public to distinguish between the two, and they were unlikely to create confusion and/or misidentification. For that matter, the two marks involved did not constitute similar marks used in respect of identical or similar goods.

#### **8. Determination of relationship between coexistence agreement and establishment of confusion and/or misidentification in the sense of the Trademark Law**

Confusion and/or misidentification in the sense of the Trademark Law refer/refers to the circumstance where consumers wrongly believe that the goods in respect of which two marks are used are from the same suppliers; or while deeming the goods to be supplied by different suppliers, they wrongly believe that the suppliers are somewhat associated with one another, say, they are financially, operationally, organisationally or legally related (for example, in terms of licensing or financial support). Under the circumstance where the registrants *per se* of the prior and later marks are not associated anyway and use of the two marks is likely to create confusion or misidentification on the part of consumers, but the registration of the later mark is agreed under the trademark coexistence agreement between the two registrants, some take the view that since protection of consumer's interests is one of the aims of the legislation, even in the presence of a coexistence agreement, account should be taken of whether registration and use of the later mark are likely to create confusion and/or misidentification on the part of consumers; if yes, no matter whether there is such coexistence agreement, application for registration of the later mark should be refused or registration thereof cancelled. However, we take the view that the coexistence a-

greement between the interested parties should be duly considered and registration of the later mark approved for registration when necessary.

In the case of administrative dispute over “Liangzi” mark between the Shandong Liangzi Ziran Body-building Research Institution Co., Ltd. (Shandong Liangzi) and the TRAB and Beijing Tailian Liangzi Health Service Technology Co., Ltd. (Beijing Liangzi),<sup>11</sup> the registered reference mark “Liangzi and the device” was used in respect of the service of massage, and the registered mark in suit in respect of the service of health care and physiotherapy. Beijing Liangzi, registrant of the reference mark, and Shandong Liangzi, registrant of the mark in suit, signed a coexistence agreement, under which neither party would raise opposition against application for registration of trademark consisting of the Chinese characters of “Liangzi” or on the ground of improper application for registration thereof. Upon conclusion of the agreement, the registrant of the reference mark requested to cancel the registration of the mark in suit in violation of the agreement. The TRAB found that the reference mark and mark in suit constituted similar marks used in respect of similar services. For that matter, the mark in suit should be cancelled. However, the Beijing Higher People's Court found that the coexistence agreement was concluded between the two interested parties under the Trademark Office; the agreement, not in violation of any relevant law provisions, embodied the autonomous will of the interested parties, and it was not contrary to the legislative aim of the Trademark Law, so it was legally valid and should be strictly observed by the relevant interested parties. The Beijing Langzi, violating the coexistence agreement, requested the TRAB to cancel the improper registration of the mark in suit on the ground of violation of the Trademark Law of the registration of the mark in suit, which was contrary to the doctrine of good faith and honesty. For that matter, the Beijing Higher People's Court decided to have reversed the TRAB's decision, and required it to make another decision to resolve the dispute.

#### **9. Determination of qualification of interested parties**

It is provided in Article 31 of the Trademark Review and Adjudication Rules formulated by the TRAB in 2005 that “where a party's trademark is transferred or assigned during the trademark review and adjudication proceedings, the transferee or assignee shall state in writing his status as such, participate in the follow-up review and adjudication proceedings, and bear the corresponding outcome of the



review and adjudication”. The “case of trademark review and adjudication” should be construed as covering the four types of cases of refusal reexamination, opposition reexamination, dispute reexamination and cancellation reexamination.

In the case of administrative dispute over the “弘康 Hong Kang and the device” trademark between the TRAB, Guizhou Hongkang Drug Industry Co., Ltd. (HK) and Chengdu Kanghong Drug Manufacturing Co., Ltd. (KH),<sup>12</sup> KH was both the registrant of the reference trademark “康弘 Hong Kang and the device” and the review and adjudication requester. After the reference trademark was assigned to KH and the latter failed to state, in writing, to the TRAB about its status as the assignee applicant, the TRAB rejected KH's dispute request on the ground that KH, the requester, was irrelevant and was not entitled to raise the dispute. The Beijing Higher People's Court took the view that where the trademark right was assigned and the assignee failed to state to the TRAB about its status as the assignee in the trademark review and adjudication proceedings, the TRAB, as the examination authority, should issue its notification on its own initiative to enable the assignee to enter the review and adjudication proceedings in a timely and effective manner, to be informed of the facts of the case, to make its observations and to exercise its corresponding rights. In the present case, the TRAB knew about the assignment of the trademark in suit, but did not notify the assignee and directly decided to have refused the application. In doing so, the TRAB had deprived of the legitimate rights and interests of the proprietor or assignee of the reference trademark to be involved in the trademark dispute procedure, and thus, made it impossible for the assignee to seek post-procedure legal remedy. The Beijing Higher People's Court decided to have revoked the TRAB's rejection notification and required the TRAB to proceed with the examination of the application of the trademark in suit.

#### 10. Determination of principles for trademark right affirmation litigation and factors particular to a case

In trademark right affirmation litigation, the administrative respondent often presents registered trademarks approved and decisions on adjudication made by the Trademark Office and/or TRAB as proofs to show that a trademark in suit or under opposition or one applied for registration should or should not be approved for registration. A case of trademark examination is, by nature, a particular individual case, but one should not disregard the consistency of the

enforcement standards on the ground of an examination made *ad hoc*.

In the case of administrative dispute over the “Bench” trademark between the Shuying Corporation and the TRAB and AIL,<sup>13</sup> the Beijing Higher People's Court took the view that while the TRAB handled trademark cases as individual cases, whether a trademark applied for registration should be registered should be examined under the relevant provisions of the Trademark Law, that is, according to the consistent law bases and standards of examination. The TRAB refused the Shuying's application for registration of the “BENCH” trademark, in its final decision under the said relevant provisions of the Trademark Law, on the ground that Shuying's “BENCH” mark was similar to the “BenCHi and the device” trademark (No. 342318) in similar goods, but kept valid, in the present case, the registration of the “Bench” mark in suit, which was similar to the “BenCHi and the device” trademark (No. 342318) in similar goods. It was obviously erroneous application of law. Therefore, the Beijing Higher People's Court reversed the TRAB's adjudication and the Beijing No.1 Intermediate People's Court's judgment.

#### 11. Acceptance and determination of new evidence in lawsuit

In the administrative cases of trademark right affirmation are mainly reviewed the legality of adjudications made by the TRAB. The legality of an administrative action is generally reviewed on the basis of the evidence an interested party presented to the TRAB. Any new evidence presented by an interested party or the TRAB during the litigation is often not acceptable since it is not the factual basis of the administrative action in suit. But, an administrative case of trademark right affirmation is likely to result in invalidation or cancellation of the registration of a trademark in suit, and registered trademark invalidated or cancelled this way is impossible to be restored. For that matter, when not accepting new evidence would make it impossible to remedy the rights and interests of a trademark owner, the court often takes exceptional account of the impact of the evidence on the validity of the exclusive right of the registered trademark, and, thus, makes a conclusion different from the adjudication made by the TRAB or requires the TRAB to make another adjudication with consideration taken of the new evidence.

In the administrative case of dispute involving the “庄吉 (pronounced “zhuang ji”) GEORGE and the device” trademark between the Zhuangji Group Co., Ltd. (Zhuangji) and the TRAB and Walmart,<sup>14</sup> the evidence Zhuangji presented

during the cancellation reexamination was impossible to prove its use of said mark within the three-year period, but it presented, during the second-instance hearing, evidence showing its use of said mark. The Beijing Higher People's Court concluded that the Zhuangji was the proprietor of the trademark in suit. If its evidence presented in the second-instance trial of the case was not accepted, the trademark in suit would be cancelled and could not be restored. Hence, its new evidence was given due consideration. Therefore, while the TRAB and the first-instance court held that Zhuangji's evidence presented during the administrative examination and the former trial was not sufficient to prove that it had used the trademark in suit in the sense of the Trademark Law from 16 January 2000 to 15 January 2003, given that the new evidence it presented during the appeal could prove that the Zhuangji marketed the goods of garments bearing the trademark in suit during said three years, the trademark should be kept valid.

## Civil trademark cases

### 12. Determination of Trademarks in Chinese and foreign language constituting similar marks

Similar marks refer to those similar in shape, pronunciation or meaning of lexical items or in composition of device and colour, or in the overall composition of these elements combined, which are likely to mislead the relevant sector of the public about the sources of goods. In determination of similar marks, similarity of signs differs from that of marks since the former merely means that two marks are figuratively similar while the latter covers similarity of mark device, and is sufficient to mislead the public as the two marks are used in respect of identical or similar goods. Similar marks should be determined with account taken of likelihood of confusion. If two marks are similar only in signs, but the similarity is not sufficient to create confusion, they should not be held similar. The key to determining similar marks of words in Chinese and in a foreign language lies in whether they are identical or similar in the meaning of the Chinese and foreign words and whether the relevant sector of the public would believe that the provider of the goods bearing the Chinese word mark is that of the goods bearing the foreign word mark are the same one or associated with each other in a particular manner. Signs that are similar and sufficient to cause confusion should be determined as similar marks.

In the case of dispute arising from trademark infringe-

ment and unfair competition between Ruhof and Beijing Quexiang Medical Treatment Technology Co., Ltd. (Quexiang),<sup>15</sup> Ruhof concluded an agreement with Quexiang, under which the latter, as Ruhof's general agent in China, marketed goods of detergent for medical use. In May 2006, Ruhof applied for and was granted registration of the "RUHOF" mark in respect of the goods of detergent for general cleaning and that for clearing surgical machines in class 3. From September 2007, Ruhof stopped supplying the goods to Quexiang, and Quexiang then began to sell other imported goods of the identical class, and used the characters "鲁沃夫" (Chinese transliteration of "RUHOF", and pronounced "lu wo fu") in the goods. Therefore, Ruhof sued it for infringement of its trademark. The Beijing No.2 Intermediate People's Court concluded that the trademark "鲁沃夫" used in the allegedly infringing goods consisted of the Chinese characters and the "RUHOF" mark in English, and the two were incomparable in terms of shape and meaning of the lexical items in the two marks. Consequently, the trial court held the two marks dissimilar. The Beijing Higher People's Court took the view that Ruhof's registered "RUHOF" mark was somewhat similar to Quexiang's "鲁沃夫" mark in pronunciation. Meanwhile, Quexiang, as Ruhof's general agent in China, extensively used the two marks for about three years to market Ruhof's goods, and used, in its advertisement, Ruhof Corporation and "鲁沃夫" to refer to Ruhof so widely that the relevant sector of the public had already associated "RUHOF" with "鲁沃夫" and they would believe that goods bearing the characters "鲁沃夫" were Ruhof's goods marketed by Quexiang as its agent. Therefore, Quexiang's use, after the relationship of agency ended, of the "鲁沃夫" mark used in respect of the allegedly infringing goods it marketed was likely to mislead the relevant sector of the public to believe that the goods came from or were particularly associated with Ruhof. Its act was an infringement of the trademark by using a mark similar to "RUHOF" mark in respect of the identical goods.

### 13. Determination of amount of damages imposed on distributors of allegedly infringing goods


Article 56 of the Trademark Law provides that the amount of damages for infringement of the exclusive right to use a registered trademark shall be the profit that the infringer has earned through the infringement during the period of the infringement or the losses that the infringegee has suffered because of the infringement during the period of the infringement, including any reasonable expenses the in-

fringe has incurred in his or its efforts to stop the infringement. Where the profit earned by the infringer or losses suffered by the infringe because of the infringement referred to in the preceding paragraph can not be determined, the people's court shall decide an amount of damages not more than RMB 500,000 yuan, depending on the circumstances of the infringing acts. Where a party unknowingly sells goods that infringe another party's exclusive right to use a registered trademark, but is able to prove that he or it has obtained the goods lawfully and is able to identify the supplier, he or it shall not be held liable for damages". This shows that a distributor marketing infringing goods who cannot show the legitimate source and supplier of the goods should be held liable for damages for its infringement. The amount of the damages should also be calculated according to the injury done to the rightholder or the benefits of the infringer. Where it is impossible to calculate the amount of damages, the people's court should fix the amount depending on the circumstances, mainly, of the subjective bad faith of the infringer, the amount and price of infringing goods marketed, duration of the infringement and repute of the rightholder's mark. Since a rightholder usually buy the infringing product once or twice to collect evidence, the amount of the infringing goods bought to collect evidence should not be taken as the amount of the infringing goods marketed. Rather, it should be determined according to those taken in or sold. The amount of damages determined in the absence of solid evidence generally should not be too large. In the case of infringement of the exclusive right to use a trademark between Wafangdian Bearings Group Ltd. (WFBG) and Beijing Xintailifa Co., Ltd. (Xintailifa),<sup>16</sup> the Beijing Higher People's Court concluded that WFBG's evidence could not prove that Xintailifa constantly marketed the goods bearing the registered trademark which WFBG had the exclusive right to use and the circumstance of infringement was serious, and the amount of damages at RMB 80,000 yuan the court determined according to the repute of WFBG's mark, the subjective fault of, and circumstance of the infringement by, Xintailifa and the price of the allegedly infringing products was too much, and should be rectified; hence the court's judgment on the damages of RMB 80,000 yuan was reversed, and Xintailifa was held liable for paying RMB 40,000 yuan in compensation of the damage done to WFBG.

**14. Determination that applying for patent for design relating to another party's prior registered trademark does not constitute infringement of the exclusive right to use the reg-**

#### **istered mark**

Where one applies for a patent for the design relating to another party's prior registered trademark, if the goods in respect which the prior mark is used and the product incorporating the patented design are not identical or similar and the prior mark is not a well-known mark, the act of application for the design patent, *per se*, is not contrary to law, nor does the patentee's application for or exploitation of the design patent infringe the prior trademark right, nor is it an act of unfair competition. But, as for whether using another party's prior registered trademark to apply for a design patent in respect of identical or similar goods infringes the prior mark right, views are considerably divided in the judicial practice. The courts in Beijing took the view, in judgments made several years ago, that no matter whether the design patent was practically exploited and products of the patent were put on the market, the act of application infringed the prior registered trademark right. However, precedents in 2009 showed different views and practice.

In the LV v. Guo Biying, a case of infringement of the exclusive right to use a registered trademark, LV, the plaintiff, was the rightholder of the registered trademark “” in respect of the goods of toys and hopping chess, and the defendant used the “LV” as the main element of design and applied for a design patent entitled “Mah-jong (23)”. The plaintiff argued that the act of application had infringed its exclusive right to use its registered trademark and sued in the court. The Beijing No.1 Intermediate People's Court concluded that the defendant's act of applying for the patent in suit was one of the acts “causing, in other respects, prejudice to the exclusive right of another person to use a registered trademark under Article 52 (5) of the Trademark Law, and decided that the defendant should not exploit the design patent.<sup>17</sup> Dissatisfied, Guo Biying appealed.

The Beijing Higher People's Court concluded that acts of infringement of the exclusive right to use trademarks usually refer to those of illegal use of others' marks, and use of a mark mainly refers to use of said mark in respect of particular goods targeted at consumers. An act of using a sign identical with or similar to another party's mark to apply for a design patent is not such an act, nor is the act an infringement of the exclusive right to use a registered trademark. Guo Biying's act of applying for the design patent in suit did not infringe the appellee's exclusive right to use its registered trademark. But LV's trademark right indeed constituted the prior legitimate right of the design patent right in suit, and the



product of the patent was similar to the goods of “hopping chess” in respect of which LV had registered its mark, so was the main design element of the design patent to the device of LV’s registered trademark. Besides, once the patent in suit was exploited or the product put on the market, the relevant sector of the public were likely to be misled and believe that the product of the patent was LV’s goods, and LV’s registered trademark right would thus be infringed. Accordingly, the design patent in suit conflicted with LV’s exclusive right to use the registered trademark, and the second-instance court corrected the erroneous judgment of the former court, but kept the outcome of the former judgment.<sup>18</sup> ■

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<sup>1</sup> See the Beijing No.1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 1462/2009.

<sup>2</sup> See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 1352/2009.

<sup>3</sup> See the TRAB’s Decision No. Shangpingzi 10584/2009 on Reexamination of Refusal of Trademark “Yangliuqing” No. 4135180; the Beijing No.1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 1632/2009; and the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 1437/2009.

<sup>4</sup> See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 330/2009.

<sup>5</sup> See the Beijing No.1 Intermediate People’s Court’s Administrative Judgments Nos. Yizhongxingchuzi 234 and 235/2009; and the Beijing Higher People’s Court’s Administrative Judgment Nos. Gaoxingzhongzi 658 and 659/2009.

<sup>6</sup> See the TRAB’s Decision No. Shangpingzi 7080/2008 on Dispute over “Dong Zhi Tang” mark; and the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 781/2009.

<sup>7</sup> See the TRAB’s Decision No. Shangpingzi 11679/2009 on Reexamination of Opposition to Trademark (No. 1634078) “伊利 YiLi”; the Beijing No.1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 1589/2009; and the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 1418/2009.

<sup>8</sup> See the Beijing No.1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 431/2009; and the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 729/2009.

<sup>9</sup> See the TRAB’s Decision No. Shangpingzi 2862/2007 (Readjudication No. 122) on Dispute over Trademark (No. 1144078) “Wang zi”; and the Beijing Higher People’s Court’s Administrative Judgment No.

Gaoxingzhongzi 1047/2009.

<sup>10</sup> See the TRAB’s Decision No. Shangpingzi 26104/2008 on Dispute over Trademark (No. 1725087) “九鹿·王 Mine Deer King”; the Beijing No.1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 302/2009; and the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 727/2009.

<sup>11</sup> See the TRAB’s Decision No. Shangpingzi 6099/2008 on Dispute over Trademark (No. 1551944) “良子”; and the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 141/2009.

<sup>12</sup> See the TRAB’s Notification No. Shangpingzi 06189/2008 on Refusal of Application of Review and Adjudication of Trademark No. 1338265 “弘康”; the Beijing No.1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 1270/2009; and the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 959/2009.

<sup>13</sup> See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 1079/2009.

<sup>14</sup> See the TRAB’s Decision No. Shangpingzi 5270/2008 on Reexamination of Cancellation of Trademark No. 879181 “庄吉 GEORGE and device”; the Beijing No.1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 1034/2008; and the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 444/2009.

<sup>15</sup> See the Beijing No. 2 Intermediate People’s Court’s Civil Judgment No. Erzhongminchuzi 5929/2008; and the Beijing Higher People’s Court’s Civil Judgment No. Gaominzhongzi 1395/2008.

<sup>16</sup> See the Beijing No.1 Intermediate People’s Court’s Civil Judgment No. Yizhongminchuzi 13803/2008; and the Beijing Higher People’s Court’s Civil Judgment No. Gaominzhongzi 2576/2009.

<sup>17</sup> The Beijing No.1 Intermediate People’s Court’s Civil Judgment No. Yizhongminchuzi 08048/2008.

<sup>18</sup> The Beijing Higher People’s Court’s Civil Judgment No. Gaominzhongzi 2575/2009.