Determination of Statutory Generic Names of Drugs as Viewed from Application of Both Trademark Law and Drug Administration Law:

Comments on "SARIDON" and "Sanlietong Case"

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Facts of the case

On 12 November 1987, the Southwest Drug Corporation (SDC) concluded a contract with F.Hoffmann-La Poche Ltd., under which SDC made the Saridon pills using raw material from China, and marketed the drug bearing the F.Hoffmann-La Poche Ltd.'s registered trademark "SARIDON". On 17 March 1992, SDC applied for registration of the mark of "**散列通**", (pronounced "san lie tong" in Chinese, and hereinafter referred to as "Sanlietong"), and was granted the registration of said mark on 28 February 1993. On 12 August 1996, the F. Hoffmann-La Poche Ltd. applied for registration of "SARIDON" mark, and was granted the registration of said mark on 14 October 2000. On 30 July 1999, the F.Hoffmann-La Poche Ltd. requested cancellation of the mark registered by SDC on the ground that the mark infringed its prior right. On 16 April 2001, SDC requested cancellation of the mark of "**散利痛**" (Chinese transliteration of "SARIDON" pronounced "san li tong" in Chinese, hereinafter referred to as "SARIDON")" on the ground that the mark was a generic name of a drug. Regarding the "Sanlietong" mark, the Trademark Review and Adjudication Board (TRAB) conclud-

ed that it was obviously so different from "SARIDON" in word, meaning, function and effect that, normally the average consumers would not see it as an identical mark, and decided to have kept the validity of the registration of the "Sanlietong" mark. As for the "SARIDON" mark, the TRAB took the view that "SARIDON" objectively functioned to indicate the source of the goods, and it was not a generic name of goods that should not be registered as a mark under Article 11, paragraph one (1) of the Trademark Law; hence it also kept the validity of the "SARIDON" mark.

F.Hoffmann-La Poche Ltd., dissatisfied with the TRAB's adjudication on maintaining the registration of the "Sanlietong" mark, and SDC, dissatisfied with the TRAB's adjudication on maintaining the registration of the "SARIDON" mark, respectively sued in the Beijing No.1 Imtermediate People's Court.

The Trial

1. In the "SARIDON" mark case, the first-instance court concluded that whether the "SARIDON pill" was a generic name of the goods should be judged by the standard of whether said name was generally used in the drug industry, and the drug standard formulated by the government agency was not the sole basis for determining whether a drug name was a generic name of the drug. While the "SARIDON pill" was listed in the Sichuan Province Drug Standard and the Shanghai Drug Standard when F.Hoffmann-La Poche Ltd. applied for registration of the "SARIDON" mark in 1996, they were drug standards formulated by the local governments for the purpose of maintaining the public order of the drug administration, and they, *per se*, were insufficient to show that the "SARIDON pill" was a generic name of the drug. Therefore, the court decided to have upheld the TRAB's adjudication on maintaining the registration of the "SARIDON" trademark. SDC, dissatisfied with the court decision, appealed to the Beijing Higher People's Court. The second-instance court concluded that while "SARIDON pill" was listed, as a drug name, in the Sichuan Province Drug Standard and the Shanghai Drug Standard in 1988 and 1995, said local standards fell into disuse in 2001, and were replaced by the uniform State standards; furthermore, the word "SARIDON" objectively functioned to indicate the source of the goods, and should be registrable as a mark. Hence, the court decided to have rejected the appeal, and maintained the former court decision.

2. In the "Sanlietong" mark case, the first-instance court noted that while the "SARIDON" (or Sanlitong) mark was not registered in China at the time, it was created and had long been in use by F.Hoffmann-La Poche Ltd. as the Chinese transliteration of the registered English trademark "Saridon"; it was F.Hoffmann-La Poche Ltd.'s mark that had been used and had certain influence. "Sanlietong" and "Sanlitong" ("SARIDON") were used to indicate the same pharmaceuti-

cal product, and the two words were identical in lexical combination and order, and they should be determined as similar marks. SDC registered the "Sanlietong" mark similar to the "SARIDON" mark when it knew that the latter was F.Hoffmann-La Poche Ltd.'s mark that had been used earlier and had certain influence, which was contrary to Article 31 of the Trademark Law and the basic principle of "good faith" of the civil law, and was an act of "registration by unfair means" under Article 41 of the Trademark Law. The court ruled that the TRAB was to make an adjudication to cancel the registration of the "Sanlietong" mark. SDC appealed to the Beijing Higher People's Court out of its dissatisfaction with the ruling. The second-instance court concluded that the "Sanlietong" mark in suit, identical with the "SARIDON" mark in lexical combination and order and in shape, and similar in pronunciation, should be held similar to the "SARIDON" mark. Besides, SDC concluded, with F.Hoffmann-La Poche Ltd., the Agreement on Making and Marketing the "SARIDON Pill" in China, and used "SARIDON" as the mark or name of the goods of the drug from 1987 to 1992. SDC applied for registration of the "Sanlietong" mark similar to the "SARIDON" mark when it knew that the latter was F.Hoffmann-La Poche Ltd.'s mark after their contract expired, which was contrary to the doctrine of good faith, and had constituted an act of registration of a mark by unfair means. The second-instance court decided to have rejected the appeal and maintained the former judgment.

3. The outcome of the trial of the two cases by the Supreme People's Court: SDC requested the Supreme People's Court to re-try the cases as it was not satisfied with the Beijing Higher People's Court's conclusion made in the two cases. The Supreme People's Court, concluded, upon its review of the cases, that while "SARIDON" became a generic name of the drug as it was listed in the local drug standards of Sichuan and Shanghai, it was no longer a statutory generic name after 31 October 2001 due to the revision of the relevant State Drug Standards. It was not undue for the TRAB to have decided that "SARIDON" had its distinctive character and maintained its registration according to the facts, such as the practical use of the name in the industry before it made its review and adjudication, and it was right for the former courts to have maintained the first-instance judgment. On 13 January 2009, the Supreme People's Court issued the Notification on Rejection of Retrial Application (No. Xingjianzi 111-1/2007), rejecting SDC's application for retrial. As for the "Sanlietong" mark case, the Supreme People's Court made its Administrative Judgment (No. Xingjianzi 112-1/2007) on 14 January 2009, deciding to retry the case, and made the Administrative Judgment (No. Xingtizi 1/2009) on 25 May 2009, in which the Supreme People's Court found that "SARIDON" did not constitute the base on which F.Hoffmann-La Poche Ltd. could base its right to make the claim. While it was determined in the TRAB's Adjudication (No. Shangpingzi 0675/2005) that it was erroneous to have ascertained it as a fact that "SARIDON" was F.Hoffmann-La Poche Ltd.'s unregistered mark, its decision to have maintained the registration of the "Sanlietong" mark was correct, and should be upheld, so the registration of the "Sanlietong" mark was finally kept valid.

Comments and analysis

The two cases lasted a relatively long period of time, exactly 12 years from March 1993 when the "Sanlietong" mark was registered to April 2005 when the TRAB made its Adjudication. During the time, the Trademark Law was revised twice respectively in 1993 and 2001, and the Trademark Review and Adjudication Rules went through its formulation in 1995 and revision in 2002 to arrived at its present version in 2005. On top of all these, the cases involved a special commodity of drug. There existed matters arising out of historical reasons, such as revisions of local drug standards, the State drug standards. All the above interwoven factors rendered application of law in the cases extraordinarily complicated, and the judgment of the cases extreme challenging. To be specific, the two cases involved such issues as the application of the former and the revised Trademark Laws, and way to understand the relevant provisions of the Trademark Review and Adjudication Rules, and the way to define the legal nature and time of the marks in suit. For that matter, correctly addressing the issue of application of law is the key to the trial and judgment of the cases.

1. Application of the former and the revised Trademark Laws

The interested parties raised the issue of application of the former and the revised Trademark Laws when filing for retrial by the Supreme People's Court. For them, a mark registered under the former Trademark Law should not be cancelled under the revised Trademark Law. The view sounds somewhat reasonable at first, but the writer argues that it does not stand after analysis of the relevant law application rules. The current Trademark Law effective 1 December

2001 after amendment made thereto according to the Decision on Amendment to the Trademark Law of the People's Republic of China made by the Standing Committee of the Ninth National People's Congress at its 24th meeting on 27 October 2001. With regard to a mark registered before the amendment made to the Trademark Law, in the said Decision are not set forth express provisions, nor any further guidelines can be found in the Regulations for the Implementation of the Trademark Law concerning whether examination should be made in respect a dispute by applying the former or the amended Trademark Law. Both the Trademark Laws as of 1983 and 1993 provided that a TRAB's adjudication in a trademark dispute case was final. Therefore, in the judicial practice before the Trademark Law was amended in 2001, the issue of application of the former or amended Trademark Law did stand out. The Trademark Law as of 2001 has empowered the people's courts to review such cases. Meanwhile, civil trademark cases heard by the people's courts involve the issue of application of the two Trademark Laws, and the resultant law application issues begin to stand out. To duly resolve disputes between interested parties, the Supreme People's Court promulgated and implemented, on 21 January 2002, the Interpretation of Issues Relating to Jurisdiction over and Scope of Application of Law to Trial of Trademark Cases (the Trademark Judicial Interpretation for short, in which it set forth specific provisions governing application of law in cases of the nature. Article 5 thereof provides: "Except otherwise provided for in this Interpretation, in respect of the circumstances that arose before the implementation of the Decision on the Amendment to the Trademark Law and which are those mentioned in Articles 4, 5, 8, 9, paragraph one (2), (3) and (4), 10, paragraph two, 11, 12, 13, 15, 16, 24, 25 and 31 of the revised Trademark Law, where the Trademark Review and Adjudication Board makes its reexamination decision or adjudication after the revised Trademark Law entered into force, and an interested party is not satisfied with it and brings an administrative suit in the people's court, the relevant provisions of the revised Trademark Law shall apply to the examination; in other circumstances, the relevant provisions of the former Trademark Law shall apply to the examination." In the present case, SDC, for the retrial requester, requested, on 16 April 2001, the TRAB to cancel the "SARIDON" mark on the ground that it was a generic name of the drug. The ground related to a circumstance mentioned in Article 11 of the revised Trademark Law; hence, under the Trademark Judicial Interpretation, the applicable law should be the revised Trademark Law. In the "Sanlietong" case, F.Hoffmann-La Poche Ltd. requested the TRAB, under Article 27 of the former Trademark Law and Article 25 of the Regulations for the Implementation of the Trademark Law, to cancel of the registration of the "Sanlietong" mark, with the specified ground being "applying for registration of another party's mark known to the public by way of reproduction, imitation and translation in violation of the doctrine of good faith had infringed the applicant's legitimate prior right". According to F.Hoffmann-La Poche Ltd.'s statement made in the ground regarding the registration by unfair means, the law provisions corresponding to the specific grounds for the requested cancellation of "Sanlietong" mark should be Article 25, paragraph one (2) of the Regulations for the Implemtation of the unrevised Trademark Law that "applying for registration of another party's mark known to the public by way of reproduction, imitation and translation in violation of the doctrine of good faith" and (4) "infringing another party's legitimate prior right". The corresponding provisions of the amended Trademark Law should be Articles 13[1] and 31; hence under Article 5 of the Judicial Trademark Interpretation, the amended Trademark Law should apply to the examination of the present cases.

2. Correctly defining point of time in the two cases and determining the legal nature of the signs in suit are key issues in the trial.

1) Using system interpretation method to clarify the meaning of Rule 38 of the Trademark Review and Adjudication Rules, and the point of time of the facts of the "SARIDON" mark case should be the time when the TRAB reviewed and adjudicated them.

(1) Determination of the point of time of Rule 38 of the Trademark Review and Adjudication Rules. As mentioned above, the "SARIDON" mark case involved the issue of whether "SARIDON" was a generic name, namely whether it had distinctive character. Under the Trademark Law, whether a sign has its distinctive character should be reviewed respectively by the Trademark Office and the TRAB before it is approved for registration and by the TRAB after it is registered.

Rules 35 and 38 of the Trademark Review and Adjudication Rules as of 2002 respectively provide for the state of facts on which the review and adjudication was made in the above two cases. Rule 35 expressly provides that the facts include those existing at the time of review and adjudication, and Rule 38 provides that "review and adjudication shall be

made directed to the facts, grounds and request raised in an interested party's application and defence, but it does not define the point of time of the facts of the interested party's application and defence. For the writer, the provision should be interpreted according to the interpretation of the relevant laws to facilitate correct understanding and application. Specific to this provision, it is necessary to clarify its meaning according to the specific context and the legislators' aim. As the above analysis shows, both the Trademark Office and the TRAB have the function to examine the distinctive character of the relevant signs. After a mark is registered, the TRAB examine it as to whether it possesses distinctive character in the proceedings of refusal reexamination, opposition reexamination and dispute reexamination. For that matter, this writer believes that since it is for the TRAB to assess a sign as to whether it possesses distinctive character, it should do so on the same factual basis. Besides, the essential character that whether a sign has distinctive character is in constant change also determines that what the review and adjudication is based on should be the facts existing at the time of review and adjudication. Accordingly, this writer believes that it can be concluded from the provisions in the context of the Trademark Review and Adjudication Rules that the point of time defined under Rule 38 should be the same as what is provided for in Rule 35, namely the facts existing at the time of review and adjudication.

(2) Legal nature of "SARIDON" when it was listed in the drug standards

In the two cases involving "SARIDON" and "Sanlietong", the interested parties did not raise objection to the fact that "SARIDON" was listed in the Drug Standards of Sichuan Province and Shanghai Municipality in 1988 and 1995 in the period from 1988 to 2001, but they took different views on what impact said fact had on the legal nature of "SARIDON". For F.Hoffmann-La Poche Ltd., it was still a mark; for SDC, under the relevant provisions of the Ministry of Health and the State Drug Administration, it became a generic name of the goods as it had been listed in the State drug standards, and, consequently, its registration as a mark was contrary to the provision of the Trademark Law that a generic name should not be registered as a mark, so it argued that the registered trademark of "SARIDON" should be cancelled. The TRAB and the first and second instance courts did not find "SARIDON" a generic name, but they made their decisions by not exactly the same standards. For the first-instance court, "a generic name refers to the name of a product that is commonly used in the industry or arbitrary to the public. Whether "SARIDON" is a generic name should be judged by the standard of whether it is generally used in the drug industry, and the drug standards formulated by a government agency is not the sole basis on which a judgment is made as to whether the drug name is a generic name of the goods". This view has virtually denied the existence of statutory generic names. While the second-instance court considered the revision of the State Standards and the practical use of "SARIDON", and concluded that the word "SARIDON" objectively functioned to show difference source of the goods, and it did not constitute the generic name of the pharmaceutical product, so should be allowed to be registered as a mark. However, the decision actually did not determine the nature of "SARIDON" from 1988 to 2001 when it was listed in the State drug standards, so did not touch upon the impact this fact had on the legal nature of "SARIDON", and would objectively affected the major interests of SDC. Besides, it did not consider the order of the administration of the relevant drugs, and thus, resulted in undue determination of the legal nature of "SARIDON". The Supreme People's Court defined two phases in determining the legal nature of "SARIDON" in the Notification on Rejection of Retrial Application (No. Xingjianzi 111-1/2007). The first phase related to the legal nature when "SARIDON" was listed in the drug standards; the second phase to that after the revision of the State standards. As it was stated by the Supreme People's Court in its Civil Judgment (No. Minsanzhongzi 1/2002), generic names include those that are commonly used or arbitrary. The standards for determining the statutory generic name are the relevant law provisions, and those for determining arbitrary generic names is its being known within the territory in China. Since the Drug Administration Law and the associated administrative laws and regulations provide that generic name of drugs listed in the drug standard are the generic names of the drugs, "SARIDON" should be a statutory generic name when it was listed in the drug standards from 1988 to 2001.

(3) Legal nature of "SARIDON" when the TRAB made its review and adjudication after the revision of the drug standards

As the above analysis shows, "SARIDON" became a statutory generic name when it was listed in the drug standards from 1988 to 2001; hence its registration as a mark was contrary to the relevant provisions of the Trademark Law. But, there existed one special fact in the case, that is,

the State Drug Administration issued, on 20 September 2001, the State Standard (No. Guoyaobiaozi XG-013/2001, in which it is provided that from 30 October 2001, use of the local standard of compound paracetamol tablets (II) also fell into disuse. The name of said drug was "Saridon tablets" for a while. As the fact of the revision of said standards showed, "SARIDON" in suit was listed in the local drugs standards under the particular historical condition as a result of the two interested partie's action and the action of the local drug administrations. It is unfair for anyone of them to bear the legal consequences and benefits alone. Further, according to the facts ascertained by the TRAB, while "SARIDON" had been listed in the local standards for many years, the use of the name in the relevant industry did not turn it into a generic name. The facts as ascertained in the case already proved that only SDC and F.Hoffmann-La Poche Ltd. had used it. If the name had been widely used by other drug manufacturers beside the two, it would not have been found to possess distinctive character because of the revision of the drug standards even if said name was an irregular generic name of the drug.

To sum up, given that "SARIDON" was no longer a generic name because of the revision of the State drug standards when the TRAB made its review and adjudication and that it did not become an arbitrary generic name, it still had distinctive character, and could be used as a sign to indicate the source of goods; hence the registration of "SARIDON" as a mark should not be cancelled.

2) Whether "Sanlietong" mark was registrable depended on whether it had infringed the prior right of the F.Hoffmann-La Poche Ltd. on its date of filing, that is, whether "SARIDON" was an unregistered mark which F.Hoffmann-La Poche Ltd. used first and which had certain influence on the day when application was filed for the registration of "Sanlieton" as a mark.

The views of the TRAB and the courts were divided on whether the "Sanlietong" mark should be cancelled. For the TRAB, it should not mainly for the reason that "Sanlietong" was obviously different from "SARIDON" in lexical composition, meaning and function or effect. The average consumers would not see them as the same marks. F.Hoffmann-La Poche Ltd.'s claim that "Sanlietong" would mislead consumers into believing that "Sanlietong" was the Chinese lexical item equivalent to "Saridon", and would be confused with "SARIDON" was not based on facts. But the two courts took the view that the registration of the "Sanlietong" mark infringed F.Hoffmann-La Poche Ltd.'s prior right, and should be cancelled. Therefore, whether it could be determined that when application was filed for registration of "Sanlietong", "SARIDON" was an unregistered mark which F.Hoffmann-La Poche Ltd. used first and which had certain influence on the day was the key to solving the matter of whether the registration of the "Sanlietong" mark should be cancelled.

(1) According to the Drug Administration Law, "SARIDON" was a statutory generic name as it was listed in the State drug standards from 1988 to 2001, that is, "SARIDON" was a statutory generic name when "Sanlietong" was filed for registration as a mark. Under Article 11, paragraph one of the Trademark Law, a generic name shall not be registered a mark for lack of distinctive character. Even if "SARIDON" and "Sanlietong" were similar, it is difficult to say that one's registration of a sign similar to the generic name has infringed another party's prior right as "SARIDON" was a statutory generic name.

(2) F.Hoffmann-La Poche Ltd.'s act of indicating "SARIDON" on the relevant drug is one of indicating the generic name of the drug. Article 37 of the Drug Administration Law as of 1985 provides: "the package of a drug shall be attached with a label and goes with a specification. On the label and the specification shall be indicated the name, specification, manufacturer of the drug, the drug approval number, batch number of the product, main ingredients, indication, method of administration, dosage, incompatibles, ill reaction and other matters requiring attention". Similar provisions are set forth in Article 54 of the Drug Administration Law as of 2001. Besides, the administrative laws and regulations, such as those concerning drug labeling administration clearly specify the place and size of indicated drug names. For that reason, F.Hoffmann-La Poche Ltd.'s indication of "SARIDON" on the relevant drug is, in a sense, one of indicating the name of the drug. It is an act of performing its statutory obligation.

(3) The Drug Administration Law effective during the lawsuit and the Trademark Law ban the use of unregistered trademark on drugs, which makes it legally impossible to determine that "SARIDON" was an unregistered trademark used on drugs. Article 41 of the Drug Administration Law as of 1985 provides that registered trademark shall be used on all drugs, except the traditional Chinese crude drugs and prepared slice of Chinese crude drugs; anything that are not approved and registered shall not be marketed. Registered trademarks must be indicated on the packages and labels of

drugs." Article 5 of the Trademark Law as of 1993 provides: "In respect goods that must bear registered trademarks, application must be filed for registration of marks; any drug with its mark not registered shall not be marketed". The same provisions are set forth in Article 6 of the Trademark Law as of 2001. Rule 7 of the Implementing Regulations of the Trademark Law as of 1993 provides: "drugs for human use and tobacco products which are prescribed by the State and published by the State Administration for Industry and Commerce shall use registered trademarks". Since all these provisions require that registered trademark be used on drugs for human use, it is not in the legal spirit, for the writer, to find unregistered trademarks, the use of which is banned under the Trademark Law and the Drug Administration Law, to be prior right protected by law. And it would objectively disrupt the order of trademark registration and drug administration in China.

Given the preceding analysis, the Supreme People's Court concluded that when "Sanlietong" was filed for registration as a mark, "SARIDON" should not be established as a unregistered trademark which F.Hoffmann-La Poche Ltd. had first used and which had certain influence; hence registration of "Sanlietong" did not infringe any other party's prior right, and should not be cancelled.

Conclusion

With the Administrative Judgment (No. Zhitizi 1/2009) made, the "Sanlietong" and "SARIDON" cases were finally closed, but the debate on how to determine generic names will still go on. There is a view that, the Supreme People's Court has established in the cases, the legal standard that a generic name should be determined by taking the time of review and adjudication in suit as the limit of time. As a judge that had heard the cases, the writer does not agree to this view. In the "SARIDON" case, the Supreme People's Court indeed took the view that a generic name should be determined depending on the factual state existing at the time of review and adjudication. But, it should be noted that the result of judgment of the case was based on the special facts of the case, that is, the case arose in a special historical period in China, when the relevant law and regulations were not adequate enough. The name of the drug in suit was listed in the drug standards at the request by the interested party, which, by essence, did not conform to the drug standards. Besides, the naming was contrary to the principles for naming drugs in China[2]. Under the special historical condition, the interested party benefited from use of its drug name as one in the drug standards, and also bore the legal consequences of listing its drug name in the drug standards. For that matter, from the practical perspective and according to the law provisions of the time, it is in line with the legal spirit for the court to have determined that "SARIDON" was a statutory generic name when it was listed as a drug name. Of course, the Supreme People's Court's having made the judgment does not mean that all generic names should be determined according to the time of review and adjudication, not subject to the general standards of the filing time of trademarks in suit. But, those that were generic names at the time of examination and approval should still be determined as generic names mainly because under normal circumstances, signs that become generic names have entered the pubic domain, and it is difficult for them to have distinctive character[3]. This circumstance was just different from the norm circumstances. The drug name "SARIDON" in suit was listed in the State drug standards, and, hence, became a generic name under the Drug Administration Law. But it, in fact, was not widely used as such[4], and the relevant State drug standards were later revised. For that reason, the present case was a special case arising from the special facts of the case under the special historical conditions. Now, it is not unadvisable to take the time for determining generic name as the general legal standard. ■

The author: Judge of the Intellectual Property Tribunal of the Supreme People's Court

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[1] Since Byre clearly waived, during the hearing of the retrial, its claim made under Article 13 of the Trademark Law, the "Sanlietong" case only involved the issue concerning Article 31 of the Trademark Law.

[2] For the relevant drug naming rules, see the Principles for Making Generic Names of Drugs and the Principles for Naming Goods of Drugs.

[3] For example "Aspirin" was initially a trademark having its distinctive character, but it later became the generic name of a drug, and lost its distinctive character. Of course, there are exceptions to those that were accorded protection as trademarks due to the implementation of the State laws and regulations, such as Champaign.

[4] If the sign had been widely used as a drug name, a quite different judgment would have been made in the case. The writer has encountered such circumstances when dealing with civil cases of trademark infringement.