Causes for Making Trademark Infringement Defence

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A trademark proprietor enjoys the right to prohibit another party from using its registered mark. That is, without authorisation, the latter should not use a mark identical with or similar to the former's registered mark in respect of identical or similar goods or services. However, this right is not under absolute protection, and, it should be correspondingly restricted. If another party's use has reasonable ground, its use does not constitute an infringement even if it uses a mark identical with or similar to the former's registered mark. The reasonable ground here refers to the causes for making a defence against infringement claim. In practice, the causes for making a defence against a claim of infringement of the exclusive right to use a registered mark include, among other things, fair use defence, parallel importation defence, right exhaustion defence, trademark right validity defence, and legitimate source-of-origin defence. For the above-mentioned causes of defence, some have been expressly prescribed in the laws, and some can be used only according to the basic principles of the laws. In practice, the causes for making defence are treated differently. We shall be discussing them one by one in the article.

I. Fair use defence

1 Meaning and law basis

There are two circumstances in connection with fair use defence: one is the descriptive use, that is, if a mark or part of it is used to describe the corresponding characteristics of goods or services, a trademark proprietor does not have the right to prohibit another party from using, in a fair manner, the word in its normal meaning; the other is the indicative use, namely, if another party uses the proprietor's mark to familiarise the relevant consumers with the relevant authentic information of its goods or services, the trademark proprietor does not have the right to prohibit the other party from using it, either.

Article 49 of the Regulations for the Implementation of the Trademark Law of the People's Republic of China has expressly provided that "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."

2 Categories

1) Descriptive use

The essential property of a trademark lies in its distinctiveness or distinctive character, by which is essentially meant that a mark should not directly describe the relevant characteristics of goods or services.[1] The law provision that non-distinctive words should not be registered as trademarks is set forth mainly out of the consideration that words of the nature are the common resources of businesses in the same industries, and no one should prohibit any other businesses from fair use of the words to describe the characteristics of their goods or services. However, it should be noted that it is impossible for this provision to completely stop trademark registration of non-distinctive words partly because this law provision is a requirement for a trademark as a whole. That is a trademark, as a whole, should not directly describe the relevant characteristics of goods or services; but in respect of a non-distinctive word used as a part of the mark and having no impact on the determination of the distinctiveness of the mark as a whole, the Trademark Law does not set forth any provision to prohibit registration partly because, even if a mark as a whole is not distinctive, where the use thereof has made it highly reputable, and acquired its second meaning, the originally non-distinctive mark may be registered as a trademark. For that matte, under these two circumstances, matters of determination of a non-distinctive mark or part of it would be involved in a case arising from infringement of the exclusive right to use a registered mark. Under Article 49 of the Regulations for the Implementation of the Trademark Law, it is obvious that the proprietor of a trademark has no right to prohibit others from using words of the nature.

For example, in the "Guomao" (a Chinese word meaning "international trade centre") case involving infringement of the exclusive right to use the registered trademark is involved the issue of fair use of a place name. The key fact of the case is that the defendant's buildings under construction are located near the Guomao Flyover or Bridge. Without the fact, the case would have been treated differently.

In the case, the plaintiff had registered the "GUOMAO" mark to be used in respect of real estate related services, and the registered mark was widely used later as in "Guomao Apartment", "Guomao Shiji (meaning century) Apartment" and "Guomao Building". Along with the spreading of the plaintiff's reputation, the flyover and metro station at the East 3rd Ring Road were respectively named "Guomao Bridge" and "Guomao Station". The defendant referred to its construction project near the Buomao Bridge as "Shiqiao Guomao Apartment", with the Chinese words "Shiqiao Guomao Apartment" on top of its apartment building. For the plaintiff, the defendant's such use constituted an infringement of the exclusive right to use its registered trademark.

The court took the view that, to show the location of the buildings under construction in suit and its difference from other construction projects in other locations, the Shiqiao Corporation used the name "Shiqiao Guomao", and used the device mark of the Corporation together with the name in actual use to enable the relevant sector of the public to pay sufficient attention to the meaning of the indicated location the word "Guomao" used in the name of "Guomao Shiqiao". Accordingly, the court found that the defendant's use did not constitute an infringement of the plaintiff's exclusive right to use its registered trademark.[2]

For another example, in the "Lavender" case of infringement of the exclusive right to use the registered trademark is involved the issue of fair description of the different types of fragrance of the goods.

In the case, the plaintiff enjoyed the exclusive right to use the "Lavender" mark in respect of goods of tissue, and the allegedly infringing product was also goods of tissue, in respect of which the "Lavender" word was used. The court took the view that various types of fragrance might be added to the cleaning article tissue in the process of production; the defendant's use of the word "Lavender" in respect of the allegedly infringing goods was to show and describe the feature of the fragrance of the goods, and was an act of indicating the feature of the goods *per se*, which would not give consumers any information distinguishing the origin of the goods. Based on these, the count found the defendant's use not infringing the plaintiff's exclusive right to use its registered trademark.[3]

2) Indicative use

Business operation may involve a market operators' description of the relevant information of its goods or services, which was a normal and reasonable need in the business activities in the market. If such description is in line with the business practice in the industry and cannot be replaced with other reasonable mode, another party has no right to prohibit others' use even if it enjoys the exclusive right to use a registered trademark in connection of the sign. Of course, the basic principle for determining whether such use consti-

tutes fair use is whether the use is sufficient to make consumers realise that what it presents is the relevant information, rather than the provider, of the goods or services.

Generally speaking, another party's direct use of a descriptive word to give the relevant information of goods or services (for example, so and so cosmetic products are used in this beauty salon service, or this garage repair so and so automobiles) is a typical indicative use, over which there is no dispute in practice.

In the infringement case involving the "丰田" (the Chinese translation of "Toyota") and "Toyota" marks is involved an use of the nature. In the case, one of the allegedly infringing acts was that, in the preface of the users' manual of the automobile in suit made by the Meiri Corporation, predecessor of the defendant, Geely Corporation, it was indicated that "four-cylinders-electrically-controlled gasoline-injection engines of MQ479Q model made by this corporation and 8A-FE model made by Toyota Autos Company are respectively installed"; in the promotion brochure for the automobiles of the model was shown the "Toyota" 8A (8A-FE) engine of the motor; in the advertisement published were printed the "Toyota engine is at a stimulating price" and "driving with Japanese Toyota 8A-FE four-cylinders-electro-engine".

The court found that the words "丰田" and "Toyota" in the promotion of the Meiri motor cars in suit were used to explain, to consumers, the origin of the technology and manufacture of the main parts used in the motor products, so as to make it easy for consumers to know the essentials of the motor products, which was in line with the common business practice. Accordingly, the court found that the defendant's use did not constitute an infringement of the plaintiff's exclusive right to use the registered trademark.[4]

In practice, disputes tend to arise over how to determine whether indicative use is constituted when a defendant conspicuously uses a proprietor's trademark. In the following two cases, both the defendants conspicuously used the plaintiffs' trademarks, but the two cases were handled differently.

In the infringement case involving the "GRE" mark, the court took the view that the defendant's use of the mark was to give the relevant, real information of the goods it provided, so it did not constitute an infringement of the plaintiff's exclusive right to use the registered trademark.

In the case, the plaintiff registered the "GRE" mark, and the defendant, the New Oriental School, conspicuously used "GRE" in its "GRE" Teaching Materials Series" and on the package of its "GRE Listening Cassettes". The plaintiff alleged that the defendant's act constituted an infringement. Regarding this, the court took the view that the defendant's use was to indicate and highlight that the contents of its publications or productions were related to the GRE test, and to make it easy for readers to know about the contents of the publications and productions, not to show the origin of publications and productions. The use would not mislead and confuse readers about the origin of the goods in suit.[5]

However, in the infringement case involving the "Great Hall of People" mark, the court took the view that the defendant's act constituted an infringement of the plaintiff's exclusive right to use the registered trademark.

In the case, the defendant Dongshan Tea Plant indicated, on both the inner and outer package of its tea products, the words "the tea once designated for use in the Great Hall of People in Beijing", and used conspicuously the Chinese words, the "Great Hall of People", in the same typeface as that of the mark in suit.

Regarding this use, the court took the view that while the Dongshan Tea Plant's tea products were designated to be used by the China Market Society at the 2004 Forum on Chinese Business Development and Market held in the Great Hall of People, Beijing, it did not fully describe the circumstance of the inner and outer package of its tea products. Instead, it indicated "the tea once designated for use in the Great Hall of People in Beijing" and used conspicuously the Chinese words of the "Great Hall of the People" in the same typeface as that of the mark in suit. Consequently, the public would think that the products were associated with the Service Department of the Great Hall of People, which was sufficient to create confusion. The Dongshan Tea Plant's act constituted an infringement of the exclusive right to use the registered trademark of the plaintiff, the Service Department of the Great Hall of People.[6]

The different outcome of the two cases show that, in determining indicative use of a trademark, whether a plaintiff conspicuously uses a defendant's trademark is not the key issue in the determination; the key issue is whether such use causes consumers to regard what it delivers as the relevant information of the goods or services. In the "GRE" case, while the defendant's use of "GER" is conspicuous, given that the "GRE" test and the defendant were well known in China, consumers, on seeing "GRE" on the allegedly infringing publications and products, would generally regard it as a book about the test, but not one provided by the plaintiff. However, things are different in the "Great Hall of Peo-

ple" case. In the case, the "Great Hall of People" is the name of an existing building, and said building is not naturally associated with the allegedly infringing tea products. On seeing the conspicuously used words on the allegedly infringing products, consumers would find it difficult to take it as the description of the relevant information of the goods, and it is easy for them to be determined as the provider of the goods.

3 Fair use defence and use in the sense of trademark

The fair trademark use defence and use in the sense of trademark may be taken as two aspects of the same issue viewed from different perspective, from which defence is made, with no different conclusion made as a result. Use of a trademark constituting fair use would usually cause consumers to regard it as description of the related characteristics of goods or services, not the recognition of the providers of goods or services, so it is not one in the sense of trademark. Defendants involved in cases of the nature may make defence from different perspective.

In the case involving the "Jiaowang (meaning "wrestler king") mark", the Supreme People's Court decided on the nature of the defendant's use from two perspectives, which showed that the Court was of the same opinion.

In the case, the Supreme People's Court took the view that the defendant's use of the word "Jiaowang" in the "China Jiaowang Contend for Hegemony" and "China Chongqi Cup 2005 China Jiaowang Contend for Hegamony" was to indicate the content and feature of the contests through wrestling contest, and was a descriptive use; it did not constitute use in the sense of trademark, and it was a fair use.[7]

II. Trademark right validity defence

By trademark right validity defence is meant the defence made by a defendant to challenge the plaintiff's exclusive right to use a registered mark, covering, among other things, the circumstance where the defendant argues that plaintiff's registered mark does not meet the registration requirement under the Trademark Law, but yet to bring the administrative proceedings for trademark cancellation in respect of the registered mark and the circumstance where the relevant proceedings are initiated, but the case is pending. Of course, it also covers the circumstance where the relevant trademark cancellation proceedings are closed, and the plaintiff's mark invalidated or cancelled. Following is an elaboration of the various circumstances.

1 Plaintiff's trademark is yet to be cancelled[8]

If a plaintiff's mark is yet to be cancelled by an effective decision/judgment, whether a defendant has brought a relevant cancellation proceedings or made a defence on the ground that the plaintiff's mark is not registrable, a relatively common practice is that the plaintiff's mark is determined as legitimate and valid registered mark protected under the Trademark Law.

For example, in the infringement case involving the "V device" mark, the court clearly pointed out that a trademark should be protected under the laws once it was approved for registration. If another party raised opposition to the registrablebility of the mark on account of distinctiveness, it may seek remedy through other legal means; the opposition did not fall within the scope of trial of the case.[9]

This practice is in compliance with the existing system of registration and civil remedy under the Chinese Trademark Law. Under the current Chinese trademark law system, the validity of a registered mark is obtained by trademark registration proceedings, and a published registered mark is deemed to be a legitimate one under the protection by the Trademark Law. The current law does not empower the court to determine the validity of the trademark right in the civil infringement proceedure.

It needs to be stressed that while the ground of non-registrablebility of a plaintiff's mark would have no effect on the validity of the plaintiff's trademark right, it does not mean that it will naturally have no effect on establishment of infringement of the exclusive right to use the registered mark. In establishing an infringement of the exclusive right to use a registered mark, many factors may have effect on the determination of likelihood of confusion, including that of effect on determination of trademark registrability, such as the distinctiveness and use of the plaintiff's mark. Besides, if the defendant enjoys the prior right against the plaintiff's trademark, while it has no effect on the validity of the trademark right, it is possible to render right conflict defence tenable. Consequently, it is possible to find no infringement of the plaintiff's exclusive right to use a registered trademark.

For example, in the infringement case involving the "Full Brain Speed Reading QNSD" and "Full-brain" marks, while the court took the view that the defendant's application filed for trademark cancellation with the Trademark Office did not have effect on the validity of the plaintiff's mark, in infringement determination, it took account of the ground of non-distinctiveness of the plaintiff's mark as claimed in the defen-

dant's application for trademark cancellation, and, accordingly, found the allegedly infringing act not infringing.

In the case, the defendant was a business providing the software for speed reading and memory training, and the training of full-brain speed reading. It used the terms "full-brain" and "full-brain speed reading" as it recommended and promoted the method for full-brain speed reading, software of speed reading and memory training and service of speed reading training. Regarding this case, the court took the view that although the defendant, Baidu Corporation, filed an application with the Trademark Review and Adjudication Board for cancellation of the said registered marks, before the cancellation thereof according to law, the plaintiff-'s right in the marks remained valid and protected under the law. But the court, meanwhile, pointed out that the expressions and concepts of "full-brain" and "full-brain speed reading" were not originally created by the Full-brain Research Institute, and the phrases had particular, widely accepted literary meaning in use. For that matter, the defendant's act, in essence, was to explain and describe the contents and characteristics of its website, product and service, and it did not cause confusion on the part of the public. Accordingly, the court decided that the defendant's act did not constitute an infringement.[10]

2 Plaintiff's mark have been cancelled

In terms of different effect on trademark validity, there are mainly two circumstances with a plaintiff's mark being cancelled.

1) Cancellation having non-retroactive effect

This refers to the circumstance where a plaintiff's mark is cancelled for "non-use for three consecutive years" under Article 44 of the Trademark Law. The trademark right under this circumstance is not invalid from the very beginning, but it is invalid from the date on which the decision or judgment declaring cancellation takes effect. The corresponding provision is set forth in Article 40 of the Regulations for the Implementation of the Trademark Law, which reads "for a registered trademark canceled under Articles 44 and 45 of the Trademark Law, the Trademark Office shall publish it, and the exclusive right to use the said registered trademark shall be terminated from the date on which the Trademark Office makes the decision of cancellation."[11] While the "Trademark Office's cancellation decision" is provided for in this Article, there are follow-up re-examination and judicial procedures in respect of the Trademark Office's decision. For that matter, according to the principle set forth in the Article, we may reasonably find that the validity of a canceled registered mark under such circumstance should become invalid from the date on which the decision or judgment declaring cancellation takes effect.[12]

Given that, under this circumstance, the trademark right is not invalid from the very beginning, in the case involving infringement of the exclusive right to use the registered mark, the key issue in the decision on whether the defendant's act constitutes an infringement of the plaintiff's exclusive right to use the registered mark lies in determination of the point of time when the allegedly infringing act takes place, that is, if such an act takes place after the cancellation of the plaintiff's trademark right, the plaintiff's infringement claim is not tenable as it was not based on the right. But, if it takes place before the cancellation, then, while the mark right becomes invalid in the litigation, when the allegedly infringing act takes place, the plaintiff's trademark is still valid; any other party's unauthorised use of the mark is found infringing, and the court should commend on whether the allegedly infringing act constitutes an infringement of the plaintiff's exclusive right to use the registered mark.

In practice, the circumstances are rare where an allegedly infringing act takes place after the cancellation of a plaintiff's trademark right in any actual case partly because the cancellation proceedings brought on the ground of non-use of said mark for three consecutive years is generally a litigation strategy a defendant takes against the plaintiff's infringement claim, it usually does not happen before the allegedly infringing act takes place and partly because, viewing from the perspective of a plaintiff, if the plaintiff's mark is cancelled before the allegedly infringing act takes place, it would generally not institute infringement litigation unless it intends to bring litigation in bad faith. Therefore, in the case of the nature, whether an allegedly infringing act constitutes an infringement of the plaintiff's exclusive right to use registered mark should be heard according to the specific circumstances.

However, in handling some specific cases, it is obvious that some courts pay no attention to the matter of the point of time when a plaintiff's mark becomes invalid; they take the view that the plaintiff's mark is cancelled, so its exclusive right does not exist from the very beginning, and reject the plaintiff's litigation claim on this ground. This is obviously an incorrect practice.

For example, in the infringement case involving the marks of "menghuan zhi she (meaning "voice of dream")

and "VISION ACOUSTIQUE", the Trademark Office, at the second instance of the case, cancelled the two marks on the ground of non-use in respect of the designated goods for three consecutive years. The court took the view that the trademark right in the registered marks cancelled did not exist "from the very beginning". Accordingly, the plaintiff should no longer enjoy the exclusive right to use the marks in suit, nor did it have the right to prohibit other parties from using them. Therefore, the court found that the claim that the defendant constituted infringement was not tenable.[13]

2) Cancellation of marks rendering them invalid from the very beginning

This refers to the circumstance of cancellation of the plaintiff's mark as the mark was not registerable under the Trademark Law. The grounds for non-registerability include the absolute and relative ones of registered mark, specifically, the circumstances as specified in Articles 10-13, 15-16, 28, 31 and 41, paragraph one, of the Trademark Law. In respect of the impact of such cancellation on the validity of the trademark right, Article 36 of the Regulations for the Implementation of the Trademark Law expressly provides that "where a registered trademark is cancelled pursuant to article 41 of the Trademark Law, the exclusive right to use the said trademark shall be deemed not to exist from the very beginning." All the absolute and relative causes of trademark registration are mentioned in Article 41 of the Trademark Law.

Views are not divided on the cases of the nature in practice. Plaintiffs' claims are rejected on the grounds that the trademark right is cancelled and should be deemed not to exist from the very beginning.

For example, in the infringement case involving the "Compliscan" mark, the mark in suit was cancelled by the Trademark Office on the ground that no mark that is already in use by another party and has certain influence shall be registered in an unfair means. Accordingly, the court decided that the plaintiff's trademark right should be deemed not to exist from the very beginning, and its claim against the defendant's act was baseless factually and legally.[14]

III. Prior use defence

The trademark system in China follows the first-to-file, not first-to-use, doctrine. As a result, it is unavoidable, in practice, for the circumstance to arise where a trademark proprietor first "files an application" for registration of a mark, but another party "has used" it first. In some cases, the defendants regard their acts of prior use as prior right, and make defence on the basis of it against the trademark proprietor's infringement claim. In the judicial practice, there have been disputes over the matter. Following is a detailed analysis of it.

1 Law provisions

While no provision of prior use defence is set forth in the Chinese Trademark Law, Article 54 of the Regulations for Implementation of the Trademark Law provides that "service marks being continuously in use up to 1 July 1993, which are identical or similar to any registered service marks of another person in respect of the same or similar services, may continue to be used." In respect of such use, in the Notice of the State Administration for Industry and Commerce on the Matter of Continuous use of Service Marks, it is required that users should not use the marks in regions not designated; and no items of service should be added.

This provision addresses is not the issue of prior use in its normal sense, so should not be taken as a general principle underlying the prior use defence under the Chinese Trademark Law. It is taken account the fact that no service mark registration system was not put in place in the Chinese Trademark Law before 1 July 1993, and it was not for the reason on the part of the users of service marks, but for legislative reasons that they had not have their marks registered prior to that time, the provision is formulated in the Regulations for the Implementation of the Trademark Law in order for the users of service marks to avoid economic losses caused because of the legislation. However, cases are obviously different for trademarks and other service marks. It is thus shown that no express provisions on prior use defence have been set forth in the current Chinese Trademark Law and the Regulations for the Implementation thereof.

2 Present practice

In practice, there are two opposite methods to deal with prior use defence.

1) Taking no account of prior use

Courts following this practice generally take the view that since the current laws do not set forth any provision on this matter, whether a defendant used a mark before a plaintiff's registration of its mark would have no effect on establishment of infringement of the exclusive right to use the registered mark.

For example, in the case involving the "**青苹果** QINGPINGGUO" (meaning "green apple") mark, the court took

the view that while the existing evidence might prove that the defendant, the Jialianna Corporation, had used, from 1992, the word "青苹果" as a name of goods or trade dress for its goods prior to 21 November 1995, when the mark in suit was registered, there was not any provision in the Trademark Law on the right and obligation of prior users; the prior right was not sufficient to oppose the exclusive right to use a registered trademark. Therefore, the court did not support the defence, and finally found the defendant infringing.[15]

2) Taking prior use into consideration

For example, in the case involving the "Huayangnianhua" mark, it was obvious that the court took account of the factor of prior use when it decided that the defendant did not constitute an infringement.

In the case, the plaintiff, the Yubo Corporation, was granted the registration of the "Huayangnianhua" mark on 28 February 2002, and the defendant, the Xintian Brewing Corporation, used "Huayangnianhua" on its wine products no later than 5 January 2001. The court finally decided that the defendant's act did not constitute an infringement out of one of the considerations that the defendant used "Huayangnianhua" earlier and for a relatively long time, so it enjoyed the prior right to a certain extent in the word "Huayangnianhua" used as the name of its goods.[16]

3 Probing into the legitimacy and fairness of prior use defence

1) Legitimacy

According to the current Chinese laws and regulations, prior used non-registered marks may serve as a statutory ground for making a defence when the following requirements are met.

(1) Service mark having been in continuous use up to 1 July 1993

As mentioned above, in Article 54 of the Regulations for the Implementation of the Trademark Law is set forth the express provision on service marks. There is no need to go into details in this respect.

(2) Prior used non-registered marks constituting names, package or trade dress particular to famous goods (or services)

If a prior used non-registered mark is a name, package or trade dress particular to famous goods (or services), a defendant's prior use defence is legitimate. Under this circumstance, however, the defendant's defence was made under Article 5 of the Unfair Competition Law, rather than the Trademark Law or the Regulations for the Implementation thereof.

People hod this view because the Unfair Competition Law and the Trademark Law are, in essence, not different in protection of business indications; they are different only in that the former protects unregistered business indications while the latter the registered ones. Article 5 of the Unfair Competition Law provides for the protection of names, package and trade dress particular to famous goods (or services), specifying "a business operator shall not harm its competitors in its market transaction by resorting to any one of the following unfair means: … (2) using in respect of some goods without authorisation a name, package or trade dress particular to famous goods, or using a name, package or trade dress similar to that particular to famous goods, thereby confusing the goods with the famous goods and misleading buyers to mistake one for the other." The protection mentioned in this Article of the names, packages or trade dresses particular to famous goods (or services) is actually one for unregistered marks. Accordingly, in a specific case, if a defendant's prior used unregistered mark becomes well known to a certain extent before a plaintiff's registration of its mark, constituting a name, package or trade dress particular to famous goods (or services), the defendant enjoys the prior right and interests in the unregistered mark under Article 5 of the Unfair Competition Law, so its use is based on law.

While the prior use in line with the provision may be used as a statutory ground for making a defense, a defendant's use is by no means unrestricted; it should be restricted within the original limits of its use with restrictive requirements being similar to the element of the original scope of the prior use defence under the Patent Law. That is, a defendant' use of the mark should be confined to the goods in respect of which the mark had been used before the date of a plaintiff's registration of its mark and within the scope of its original production and marketing. This element is embodied in the Notice of the State Administration for Industry and Commerce on Issues of Continuous Use of Service Marks, in which it is provided that in respect of service marks having been in continuous use up to 1 July 1993, it is required that the prior users thereof use them within the designated region, and not beyond the original scope of use. Although the provision regulates only the service marks under particular circumstances, being a principle, it is reasonable for it to be also applicable to the prior use defence.

Given the fact that the existing laws obviously accord more protection to the exclusive right to use registered

marks than to unregistered business indications, the relevant prior rights and interests should be restrained after trademark registration, so as to better guarantee the interests of the trademark registrants in their trademark right.

(3) Prior used non-registered mark is the trade name of a defendant's enterprise name having certain reputation in the market and being known to the relevant sector of the public

This circumstance is not substantially different from the names, packages or trade dresses particular to famous goods (or services) discussed above as both are use of unregistered marks. Besides, they are the same in the considerations and condition for the application of prior use defence.

They are taken as separate circumstances out of the consideration that it has been put side by side with that of the names, packages or trade dresses particular to famous goods (or services) as mentioned in Article 5 of the Unfair Competition Law, in which it is provided: "a business operator shall not harm its competitors in its market transaction by resorting to any one of the following unfair means: … (3) using without authorisation the name of another enterprise or person, thereby misleading people to mistake their goods for those of another enterprise or person". Regarding the provision on "enterprise name" in the Article, further restriction is made in the Supreme People's Court's Interpretation of Several Issues Relating to Application of Law to Trial of Civil Cases of Unfair Competition. Article 6 thereof provides that "the trade name of a defendant's enterprise name having certain market reputation and being known to the relevant sector of the public may be established as an enterprise name provided for in Article 5(3) of the Unfair Competition Law."

For that matter, when a defendant's trade name is well known to a certain extent, a defendant's use thereof should also be restricted within the original scope. In the infringement case involving the "Sufeiya" mark, the court held the view that the prior trade name should be used within its original scope.

In the case, the court took the view that even if the defendant Qingpu Sufeiya Store enjoyed the prior right in the "Sufeiya" trade name, the prior right was restrained by the right of the registered mark the plaintiff obtained in October 2002, that was, after October 2002, the Qingpu Sufeiya Store could continuously use its prior "Sufeiya" trade name only within its original scope, and it was impossible for it to extend the use of its prior right to Nanhui Sufeiya Store.[17]

2) Exploration of the matter of reasonableness

In the judicial practice, cases should be heard under the existing laws and regulations, and the courts may apply laws only within the framework of law. Accordingly, only under the above-mentioned circumstances application of prior use defence is legitimate. Viewed from the perspective of reasonableness along with no consideration of the existing laws and regulations, for us, it is reasonable, in principle, to allow a defendant to use prior use defence within the original scope of use.

While the Trademark Law is a law for the protection of registered marks, the essential function of trademarks lies in the interests brought about through use. Therefore, certain protection of the interests of the prior user of marks is in keeping with the essence of trademark protection, and would not undermine the foundation of the trademark registration system as the protection opposes only to another party's claim of infringement of the exclusive right to use the registered mark, and cannot serve as the basis on which it proactively asserts its right, which is completely different from the protection of the exclusive right to use registered marks obtained by way of registration. Meanwhile, to the protection by virtue of defence is added the restrictive condition of the original scope, which will have even less effect on the registration system and the proprietor of registered marks. ■

(To be continued)

The author: Judge of the IP Tribunal of the Beijing No. 1 Intermediate People's Court

[1] Article 11 of the Trademark Law sets forth express provisions in this regard: "the following signs shall not be registered as a trademark: (1) those which consist exclusively of generic names, designs or models of the goods in respects of which the trademark is used; (2) those which consist exclusively of signs or indications that have direct reference to the quality, main raw material, function, intended purpose, weight, quantity or other characteristics of goods or services; (3) those which are devoid of any distinctive character. Where trademarks under the preceding paragraphs have acquired distinctiveness through use and become easily distinguishable, they may be registered as trademarks.

[2] See the Beijing No. 2 Intermediate People's Court's Civil Judgment No. Erzhongminzhongzi 11995/2005.

[3] See the Beijing No. 1 Intermediate People's Court's Civil Judgment No. Yizhongminchuzi 15269/2006.

[4] See the Beijing No. 2 Intermediate People's Court's Civil Judgment

No. Erzhongminchuzi 06286/2003.

[5] See the Beijing Higher People's Court's Civil Judgment No. Gaominzhongzi 1392/2003.

[6] See Beijing No. 1 Intermediate People's Court's Civil Judgment No. Yizhongminchuzi 9336/2005.

[7] See the Supreme People's Court's Civil Judgment No. Minshenzi 1749/2009.

[8] The word "cancellation" used in this article is not used in the regulatory legal meaning of the word. Cancellation, as a law concept, should apply to circumstances having no-retroactive effect. But since the word "cancellation is used for the two circumstances having the no-retroactive and retroactive effect in the Trademark Law the expressions used in the article is in keeping with the protection under the law.

[9] See Beijing No. 1 Intermediate People's Court's Civil Judgment No. Yizhongminchuzi 10632/2008.

[10] See Beijing Haidian District People's Court's Civil Judgment No. Haiminchuzi 7134/2007.

[11] While the provisions simultaneously involves the remaining three items of Article 44 of the Trademark Law, and the circumstances provided for in Article 45, given the fact that registered marks that have been cancelled on these grounds are few in practice, it substantially has no impact on the judicial practice; hence the matter is not discussed here.

[12] Views are divided in practice on whether the law provision is due. For one view, since a registered mark can be cancelled for "non-use for three consecutive years", the end point of the involved three years should then be taken as the point of time when said mark become invalid, and the time when a decision or judgment takes effect should not be such point of time. For us, this view, in principle, is justifiable. But in the judicial practice, the court can only make its interpretation in respect of circumstances for which the law does not specifically provide, and application is stringent in the presence of express law provisions. For that matter, regarding the matter, the judicial practice should only follow the practice of the existing provisions.

[13] See Guangdong Higher People's Court's Civil Judgment No. Yuegaofaminsanzhongzi 1/2002.

[14] See Guangdong Province Guangzhou City Intermediate People's Court's Civil Judgment No Huizhongfazhichuzi 48/1998.

[15] See Guangdong Higher People's Court's Civil Judgment No. Yuegaofaminsanzhongzi 126/2003.

[16] See Beijing Haidian District People's Court's Civil Judgment No. Haiminchuzi 8283/2008.

[17] See Shanghai Pudong New District People's Court's Civil Judgment No. Puminsan(zhi) chuzi 489/2008.