

Latest Developments in Trial of IP Cases by Beijing Higher People's Court in 2010 (Abridged)

The IP Tribunal of the Beijing Higher People's Court

Editorial remarks: In 2010, the Beijing Higher People's Court handled a lot of important and difficult IP cases involving a variety of issues of law. This article represents a summary of the new views or opinions and practices the Beijing Higher People's Court have arrived at or derived from its adjudication of the cases. In an article of the same title, there are altogether 48 topics discussed, and this article deals with only 8 of them, with all the subtitles and serial number kept unchanged.

Latest developments in trial of administrative cases involving patent invalidation

2. Determination of relationship of the doctrine of review *ex officio* with the doctrine of petition and doctrine of hearing

The doctrine of petition, doctrine of review *ex officio*, and doctrine of hearing are all basic doctrines underlying patent right invalidation examination. Of them the doctrine of petition means that the invalidation procedure should be initiated at the request of an interested party; the doctrine of review *ex officio* means that the Patent Reexamination Board (PRB) may examine *ex officio* a case under examination, not sub-

ject to the scope, grounds, or evidence of the petition filed by an interested party; and the doctrine of hearing means that before a decision is made, an interested party who is adversely affected by it should be given a chance to make his observations with regard to the grounds and evidence on which the decision has been made and the facts which have been ascertained. In the invalidation procedure, the PRB conducts its examination of the scope and ground of the invalidation request filed by an interested party and the evidence submitted, and the PRB is not obliged to comprehensively examine the validity of a patent right in suit. As exception to the preceding provisions, the Guidelines for Patent Examination as of 2006 clearly provided for three circumstances of examination made by the PRB *ex officio*: where the causes raised by the petitioner are obviously inappropriate to the evidence submitted; where a patent is found to have such a defect not indicated by the petitioner as to inhibit further examination on the causes raised by the petitioner; and whether a technical means belong to common knowledge of the art, or may introduce such common knowledge evidence. The Guidelines for Patent Examination as of 2010 provide for seven such circumstances. For that matter, the circumstances of examination made by the PRB *ex officio* should be precise and definite; in principle, the PRB's examination should be subject to the circumstance where it can conduct its examination *ex officio* and the circumstances of identical or similar nature as specified in the Guidelines for Patent Examination, without rashly make broadened inter-

pretation of the doctrine of review *ex officio*. For any invalidation grounds and evidence the PRB introduced, *ex officio*, even if both parties present their opinions, the grounds and evidence satisfying the doctrine of hearing should not be simplistically viewed as being a due procedure where the patentee disagrees on the introduction of them.

In Zuo Shenghua v. the PRB and Baotou Changhe Science and Technology Co., Ltd. (Changhe), an administrative case of dispute over invalidation of the patent for the invention of "rare earth metal wire"¹, Changhe filed a request with the PRB for invalidation of Zuo Shenghua's patent. At the first oral hearing the PRB told Changhe that it would not consider its claim that the patent in suit did not possess inventiveness compared with appendix 1 on the ground that Changhe's failure to mention the way of commenting on the inventiveness of the patent in suit in the invalidation request did not satisfy the relevant provision on the "scope of examination" under section 4.1, Chapter 3 of Part 4 of the Guidelines for Patent Examination. Meanwhile, the PRB told both parties that the facts of the case were clearly ascertained and it was then possible to make a decision with regard to the invalidation request, and announced that the oral hearing was over. But the PRB later held another oral hearing, and introduced, *ex officio*, the invalidation ground that the patent in suit did not possess novelty compared with appendix 6, and did not have inventiveness compared with appendixes 2 and 6, and declared the whole patent in suit invalid. The first-instance court took the view that the PRB's introduction of the new in-

⁵ 參見北京市高級人民法院 (2010) 高行終字第 288、290、306、319、322、332 號行政判決書和北京市第一中級人民法院 (2009) 一中行初字第 2124、2116、2122、2130、2123、2128 號行政判決。

⁶ 參見北京市高級人民法院 (2010) 高行終字第 816 號行政判決書和北京市第一中級人民法院 (2009) 一中行初字第 2660 號行政判決。

⁷ 參見北京市高級人民法院 (2010) 高行終字第 839 號行政判決書和北京市第一中級人民法院 (2010) 一中知行初字第 835 號行政判決。

⁸ 參見北京市高級人民法院 (2010) 高行終字第 767、775、777 號行政判決書和北京市第一中級人民法院 (2010) 一中知行初字第 431、432、430 號行政判決。

⁹ 參見北京市高級人民法院 (2010) 高行終字第 387 號行政判決書和北京市第一中級人民法院 (2009) 一中行初字第 1750 號行政判決。

¹⁰ 參見北京市高級人民法院 (2010) 高行終字第 548 號行政判決書和

北京市第一中級人民法院 (2009) 一中行初字第 2053 號行政判決書。

¹¹ 參見北京市高級人民法院 (2010) 高行終字第 294 號行政判決書和北京市第一中級人民法院 (2009) 一中行初字第 2131 號行政判決書。

¹² 參見北京市高級人民法院 (2010) 高行終字第 265 號行政判決書和北京市第一中級人民法院 (2009) 一中行初字第 1840 號行政判決。

¹³ 參見北京市高級人民法院 (2010) 高民終字第 1831 號民事判決書和北京市第二中級人民法院 (2009) 二中民初字第 15369 號民事判決書。

¹⁴ 參見北京市高級人民法院 (2007) 高民終字第 1731 號民事判決書和北京市第一中級人民法院 (2009) 一中民初字第 1747 號民事判決書。

validation grounds was an administrative action overstepping its authority, and the procedure for making its examination on them and making the decision were illegal; hence the court decided to have reversed the PRB's examination decision, and ordered the PRB to make another one.

In the second-instance hearing, the Beijing Higher People's Court held that in the invalidation request filed with the PRB on 4 January 2007, Changhe did not make it clear which appendix was to be based on for assessing the inventiveness of the patent in suit; while at the first oral hearing, Changhe requested to assess the inventiveness on the basis of appendix 1, it was not undue for the PRB to have told, at the first oral hearing, Changhe that it would not consider its claim that the patent in suit did not possess inventiveness compared with appendix 1 on the ground that Changhe's failure to mention the way of commenting on the inventiveness of the patent in suit in the invalidation request did not satisfy the relevant provision on the "scope of examination" under section 4.1, Chapter 3 of Part 4 of the Guidelines for Patent Examination. But the PRB later introduced *ex officio* the invalidation ground that the patent in suit did not possess novelty compared with appendix 6, and did not have inventiveness compared with appendixes 2 and 6, and declared the patent in suit invalid, and held another oral hearing on the said ground of invalidation. Where Changhe did not raise the invalidation grounds that the patent in suit did not possess novelty compared with appendix 6, and did not have inventiveness compared with appendixes 2 and 6, the PRB's introduction of said invalidation grounds *ex officio* was contrary to the doctrine of petition, and it was not a specific circumstance where the PRB was empowered to make its examination *ex officio*, nor a specific circumstance similar, in nature, to those listed. Accordingly, the PRB's introduction of said invalidation ground was an administrative action overstepping its authority or competence.

9. Determination that a patented product's commercial success brings inventiveness to patent

In examining the inventiveness of a utility model patent, account should be taken of its technical effect. Its technical solution should be considered as a whole, and its technical features should not be mechanically divided or separated. If the technical effect of a utility model directly renders it a commercial success, said utility model possesses inventiveness.

In *Hu Ying v. the PRB and Shenzhen City Enpu Electronic Technology Co., Ltd. (Enpu)*, an administrative case of

dispute over the invalidation of the patent for the utility model of B-type supersonic monitor for female birth control surgery², Hu Ying was the patentee of the patent in suit. Enpu requested the PRB for invalidation of the patent in suit. Upon examination, the PRB concluded that claim 1 of the patent in suit did not possess inventiveness compared to the appendixes 2 and 4 combined or appendixes 3 and 4 combined; claims 2 to 6 did not possess inventiveness compared to the appendixes 2, 4 and 5 combined or appendixes 3, 4 and 5 combined; and decided to have declared the whole patent invalid. The first-instance court affirmed the PRB's decision.

The Beijing Higher People's Court noted, upon hearing the case in the second instance, that the patent in suit was intended to resolve the technical problem that induced abortion surgery, intrauterine device placement and removal surgery in female birth control surgery could not be directly seen; appendix 2 was the device used for check-up and sound recording of womb cervix to resolve the technical problem of observing pathological changes of cervix through video image for diagnosis and for follow-up treatment. Appendix 4 was the surgical device used for monitoring inside uterus, cervix and oviduct to resolve the technical problem of monitor for preventing damage to cervix in surgery. Appendixes 2 and 4 could not be used in induced abortion and intrauterine device placement and removal surgery, nor gave inspiration on the technology for performing female birth control surgery by bayonet locking a B-type supersonic instrument probe and a vagina dilation device. A utility model was usually simple improvement of a technical solution of the prior art in terms of shape or structure, so lower than an invention patent in terms of the required inventiveness. The method of bayonet locking a B-type supersonic instrument probe and a vagina dilation device was simple in operation, well-targeted, direct in view, and space-saving, so greatly improving the efficiency of birth control surgery, reducing risk of erroneous operation as a result of a surgeon's blind dependence on his previous experience, and producing notable effect. The prior art did not resolve the problem; the patent in suit corrected the defect and inadequacy of the prior art, and resolved the long-standing problem of likelihood of accidents that would otherwise be caused by invisibility during induced abortion surgery, intrauterine device placement and removal surgery in female birth control surgery. The new evidence from the patentee showed that the B-type supersonic female surgery monitoring instrument

comprising the technical solution of the patent in suit had already taken up a certain market share in the government purchase, and proved that the patent was a commercial success, which had been brought about directly by the technical features of the utility model in suit. Accordingly, claim 1 of the patent in suit possessed inventiveness compared with the appendixes 2 and 4, so did the dependent claims thereof.

Latest developments in trial of administrative trademark cases

21. Determination of “other unhealthy influences” under Article 10, paragraph one (8), of the Trademark Law

Under Article 10, paragraph one (8), of the Trademark Law, words or devices detrimental to the socialist morals or customs or having other unhealthy influences should not be used as trademarks. The provision on “other unhealthy influences” is an embracing one, but it does not include words or devices mentioned in paragraphs one (1) to (7); it merely covers those mentioned in the first half of item (8). If it is possible to refuse an application for registration or cancel a registered mark on the other grounds, it is generally not appropriate to treat trademark opposition and disputes under the section on “other unhealthy influences”. The “socialist morals or customs” in the provision refer to the common norms and standards of the life and behaviors of the Chinese citizens and the fine morals and customs prevalent in the society in a certain period, especially the accepted public good order and fine customs respected by the citizens; by the “other unhealthy influences” are meant that marks or elements thereof are likely to have negative, adverse impact on the politics, economy, culture, religion, ethnic communities and other public interests, that is, they refer to unhealthy influences of the words or devices themselves. They do not mean whether use of the words or devices in respect of their goods would have other unhealthy influences. Determination of “being detrimental to the socialist morals or customs or having other unhealthy influences” should be made according to the composition of a mark and the goods or services in respect of which it is used, with comprehensive account taken of the factors, such as the social background, cultural tradition, national customs, and religion policy, in particular whether said word or device or the elements thereof are detrimental to the accepted public order and fine customs respected by people in a certain region. “Other unhealthy

influences” are not those on private right, such as confusing or misleading consumers, disrupting competition between market players, using, without authorisation, others’ good will in their well-known works to take a ride commercially. Since the Trademark Law has already separately provided for remedies and the associated procedures, they are not “other unhealthy influences” mentioned in the section. But those detrimental to specific civil rights and interests and, as well, to the public interests or order are words or devices having “other unhealthy influences”. For trademarks beginning with the word “guo” (meaning “country or nation” in Chinese), the Trademark Office issued, on 28 July 2010, the Standards for Examination and Adjudication of Trademarks Including the Word for “China” or Beginning with the Word “Guo”, in Part 3 of which is made clear the standard for examination and adjudication of trademarks including the word for “China” or beginning with the word “Guo”, that is, the marks of the kind are treated separately as those “having the nature of exaggeration and fraud in advertising goods or services”, “lacking distinctive character” and “having unhealthy influences”, and Article 10, paragraph one (8), of the Trademark Law should not apply to them all.

In *Bai Xigui v. TRAB*, an administrative case of dispute over review and adjudication of refusal of the “Guoyu Jianjisuiyou 36501 and device” trademark³, Bai Xigui filed an application (No. 4900657) for registration of the “Guoyu Jianjisuiyou 36501 and device” trademark to be used on services in class 35, but the Trademark Office and the Trademark Review and Adjudication Board (TRAB) both took the view that the phrases of “Guoyu” and “Jianjisuiyou” in said trademark were likely to cause consumers to associate the trademark in suit with the horizontal inscribed board on top of the Eternal Harmony Hall of the Forbidden City and the imperial family, misleading consumers and thus causing unhealthy influences, so it was a mark that should not be used as such under Article 10, paragraph one (8), of the Trademark Law; hence they decided that the mark applied for registration should not be approved for registration. The first-instance court affirmed the TRAB’s adjudication. Upon hearing the case of appeal, the Beijing Higher People’s Court concluded that the mark applied for registration as a whole and the elements or parts thereof, the words “Guoyu” and “Jianjisuiyou” were not detrimental to the socialist morals and customs, the public interests or order, so did not have “other unhealthy influences” as mentioned in Article 10, paragraph one (8), of the Trademark Law. Article 10, paragraph one (7),

of the Trademark Law provided that words or devices having the nature of exaggeration and fraud should not be registered as marks. Whether a word or device had the nature of fraudulent exaggeration should be determined depending on whether it was sufficient to mislead the public. The mark applied for registration consisted of “Guoyu” “Jianjisuiyou”, “36501” and the device of jade sculpture. In the mark, “Jianjisuiyou”, the words on the horizontal inscribed board on top of the Eternal Harmony Hall of the Forbidden City, were related, to an extent, to the imperial family. The word “Guoyu”, used together with the jade sculpture in said mark, was very much likely to be understood as jade or jade vessel of the State-level quality. All the three parts used together in one trademark in respect of services of exhibition or display and auction were easy to cause the relevant sector of the public to associate the trademark applied for registration with the Forbidden City or the imperial family, so as to mislead them about the content of services in respect of which the trademark applied for registration was to be used. Accordingly, the trademark was one that should not be used as such under Article 10, paragraph one (7), of the Trademark Law. The court of appeal affirmed the outcome of the former ruling after changing the applicable law provision in the former ruling.

In *Ragdoll Limited v. the TRAB and Quanzhou City Tianxian Baobao Foodstuff Co., Ltd.* (Quanzhou Tianxian Baobao), an administrative case of dispute over review and adjudication of cancellation of trademark “Tianxian Baobao” (Chinese transliteration of the English word “teletubbies”)⁴, the registrant of the “Tianxian Baobao” mark in suit was Quanzhou Tianxian Baobao, and the mark was used in respect of goods of “foodgel” in class 29. Ragdoll Limited filed a request for cancellation of the registration of the trademark in suit under Article 10, paragraph one (8), of the Trademark Law. The TRAB took the view that before the filing date of the mark in suit, the Ragdoll Limited’s infant and baby television programme entitled “Tianxian Baobao” was broadcast on the CCTV in China, and the “Tianxian Baobao” programme and the cartoon image thereof had some influence on and relative repute among the relevant sector of the public. Quanzhou Tianxian Baobao clearly knew or had reason to know that “Tianxian Baobao” was created by some other party, and had salient originality and distinctiveness, but still applied for registration of it as a trademark. It was obvious that Quanzhou Tianxian Baobao had unfairly taken advantage of the repute of the famous work of the other party, and its act was contrary to the socialist moral standards of in-

tegrity, detrimental to the Ragdoll Limited’s legitimate rights and interests, and, as well, to the accepted public order and fine customs, misleading consumers about the source of the goods, thus had unhealthy social influence. The trademark in suit was contrary to Article 10, paragraph one (8), of the Trademark Law. It was decided to have revoked the registration of the mark. The first-instance court noted that the TRAB believed that the registration of the trademark in suit had unhealthy social influence was a case of erroneous application of Article 10, paragraph one (8), of the Trademark Law, so it ruled to have reversed the TRAB’s adjudication, and order the Board to make another one. Upon hearing the case of appeal, the Beijing Higher People’s Court concluded that whether the “Tianxian Baobao”, as a TV programme and cartoon image, had its influence and reputation, whether Quanzhou Tianxian Baobao had unfairly, wilfully taken advantage of the reputation of the trademark in suit, and whether the registration and use of the mark in suit was likely to mislead consumers were all matters of private right related to a particular entity, and did not involve public interests and order. The act based on the matter of private right and contrary to the doctrine of integrity involved only the legitimate rights and interests of the relevant entity, and was not one having any unhealthy influences on the public interests and order. The mark in suit was a pure Chinese word trademark. With its lexical composition and meaning, the use thereof did not have unhealthy influences on the politics, economy, culture, religion, ethnic communities and other public interests.

In *Lu Changqing v. TRAB*, six administrative cases of dispute over review and adjudication of refusal of the trademark “唐人街”⁵, Lu Changqing filed applications for registration of “唐人街 TANGRENJIE” (both meaning “China town” in Chinese) trademarks in respect of goods of offset press and textile machine in class 7. Both the Trademark Office and TRAB concluded that said marks had unhealthy influences, and decided to have refused the applications for registration of them. The first-instance court found the commercial use of “TANGRENJIE” marks not confusing consumers about the source of goods, nor did the evidence show that any entity or individual enjoyed any right in it, a name of a community or street in the cities of some foreign countries, or Lu’s registration and use of it as a trademark in China would have unhealthy influences on its or his legitimate rights. The first-instance court ruled to have reversed the TRAB’s adjudication, and order the TRAB to make another one. Upon hearing the case of appeal, the Beijing Higher People’s Court concluded

that the marks applied for registration were composed of “唐人街” and its Pinyin (phonetic alphabet) “TANDRENJIE”, and the distinctive part “唐人街” was a general term of communities inhabited by overseas Chinese, and known to the public in China. There were generally quite a lot of businesses dealing in goods or services; Lu Changqing’s registration of “唐人街” as the major part of its marks was likely to cause consumers to wrongly believe his goods or services came from such places. Besides, being a natural person, Lu Changqing failed to produce, to the TRAB and the court, any evidence to show his connection with “唐人街”. For that matter, his registration of “唐人街” as a trademark to be used on the goods or services was an unfair possession of public resources, and likely to mislead the public, thus causing unhealthy influences.

In the Shaolin Temple v. TRAB, an administrative case of dispute over the review and adjudication of refusal of the “shaolin Yaoju (meaning Shaolin herbal medicine shop) SHAOLIN MEDICINE” mark⁶, the Shaolin Temple filed an application for registration of the mark Shaolin Yaoju SHAOLIN MEDICINE to be used in respect of goods in class 30, such as coffee, tea, sweets and edible royal jelly (for non-medical use). Both the Trademark Office and the TRAB concluded that the mark applied for registration used on the designated goods was devoid of distinctive character, and likely to cause consumers to be mistaken about the function of the goods, so said mark had unhealthy social influence; it was decided to have refused the registration of said mark under Article 10, paragraph one (8), of the Trademark Law. The first-instance court found that, upon comprehensive consideration of the history and role of the Shaolin Temple, use of the mark applied for registration on such goods as tea and coffee was likely to cause consumers to believe that above-mentioned goods might contain medicinal ingredients for they came from the herbal medicine shop and be mistaken about the function of the goods, thus having unhealthy social influence; it was decided to have affirmed the TRAB’s adjudication. The Beijing Higher People’s Court found, upon hearing the case of appeal, that by “other unhealthy influences” was meant those of the sign *per se*, not whether the sign being used on its designated goods would cause unhealthy influences. The trademark in respect of which Shaolin Temple filed an application for registration consisted of the Chinese characters “Shaolin Yaoju”, “established in 1217” and the words “Shaolin Medicine”. Historically, the Shaolin herbal medicine shop, established and run by the Shaolin

Temple, served the monks and people around as a place for medical care or treatment. For this reason, it was not improper for the Shaolin Temple’s registration of the mark with “Shaolin Yaoju” as the main distinctive part, no adverse influence would be caused on the public interests and order in respect of politics, economy, culture, religion and esthetic communities in China. Use of the mark “Shaolin Yaoju” on goods of coffee and tea would not naturally cause consumers to wrongly believe that the goods contained medicinal ingredients.

In Prince of Peace Enterprise, Inc. v. TRAB, an administrative case of dispute over the review and adjudication of refusal of trademark “Prince of Peace”⁷, the US Prince of Peace Enterprise, Inc. filed an application for registration of the “Prince of Peace” mark to be used on goods in class 30, such as coffee and tea. Both the Trademark Office and TRAB decided to have refused the registration of the mark on the ground that the meaning of the mark was “Jesus Christ”, and its use on the designated goods was likely to cause unhealthy influences. The first-instance court found that whether a mark had unhealthy influences should be determined on the basis of the publicly accepted meaning of the word of a mark. For the mark “Prince of Peace”, according to the general English proficiency of the Chinese public, it would be understood as a “prince for peace” or something of the similar meaning on the basis of the meaning of each word and English grammar rules. While the “Prince of Peace” meant “Jesus Christ”, this meaning was uncommon or rare to the Chinese public. For that matter, on seeing the mark, it was easy for the public in China to construe it as a “prince for peace” or something of the similar meaning, and difficult as Jesus Christ. Therefore, the registration of the mark applied for registration would not cause unhealthy influences, and the decisions of the Trademark Office and TRAB that the mark had unhealthy influences were erroneous. The first-instance court decided to have reversed the TRAB’s adjudication and ordered the TRAB to make another one. Upon hearing the case of appeal, the Beijing Higher People’s Court found that whether a word had “unhealthy influences” should be determined on the basis of the meaning of the word *per se*, rather than only on the recognition of the relevant sector of the public. The mark “Prince of Pace” meant “Jesus Christ” according to dictionaries, which might not be commonly known by the relevant sector of the public in China. But whether the relevant Chinese public were able to know the meaning of “Prince of Peace” in a dictionary

would have no impact on the objective fact that the words of the mark were a religious term. For that matter, use of the words as a trademark was likely to cause unhealthy influences religiously.

In the Guizhou Administration Bureau of the Fanjingshan National Natural Reserve (Fanjingshan Administration Bureau) v. TRAB and Fenghuang Ancient Town Travel Co., Ltd.,⁸ three administrative cases of dispute over “Fanjingshan” trademarks, the three marks in suit were approved to be respectively used on, passengers transportation and travel agency services in class 39 massage service in class 44, and nightclub service in class 41. The Fanjingshan Administration Bureau requested to cancel the registration of the marks in suit on the ground that said marks had unhealthy influences. The TRAB held that Fanjingshan natural reserve was the resource of natural and cultural heritage, and should be protected by the government of the region where it is located. The Fanjingshan Administration Bureau, the administrative authority of the natural reserve, might either obtain limited law protection of a mark by use of non-registered mark or obtain the exclusive right to use a trademark through of registration of the mark according to the law, otherwise, it could not naturally have the exclusive right to use the mark containing the name of a scenic spot in various classes of services or goods. The ownership of Fanjingshan natural reserve should belong to the nation. The name of cultural heritage might bring up pleasant association for people for its indication, and use of it as a trademark was likely to bring about commercial benefits. Use of the name of a scenic spot as a trademark was not different in nature from that of other marks. The name represents a public resource of a registrable trademark; it was improper for some entity to specially monopolise the interests; the administrative authority and any other party all should obtain corresponding rights and interests of the trademark through use or registration thereof. Besides, no evidence showed that the registration of the mark in suit would have any unhealthy influences. The TRAB decided to have maintained the marks in suit. The first-instance court found that Fanjingshan was a national natural reserve and famous scenic spot for tourists, and also a Buddhist resort in China with places for Buddhist ceremonies all over the scenic spot. Registration of Fanjingshan as a trademark to be used on nightclub service in class 41 and massage service in class 44 would be detrimental to Buddhists’ religious belief, and harm their religious feelings, which was contrary to the accepted public order and fine customs, and

fell into the circumstance of “unhealthy influences” mentioned in Article 10, paragraph one (8), of the Trademark Law. Fanjingshan was located in Guizhou Province, but the Fenghuang Ancient Town Travel Co., Ltd, proprietor of the marks in suit, was in Hunan Province. The use of registered marks in suit on the services, such as passenger transportation, was likely to confuse consumers about the source of the services, thus, detrimental to consumers’ interests and having unhealthy influences. The first-instance court decided to have reversed the TRAB’s adjudication and ordered the TRAB to make another one.

In Zhao Hua v. TRAB, an administrative case of dispute over the review and adjudication of refusal of the “胜利女神 (pronounced as “sheng li nu shen” and meaning the “goddess of victory)NIKE and device”trademark⁹, the mark applied for registration was Zhao Hua’s mark (No. 4903979) “胜利女神 NIKE and device”, which was approved on 19 September 2005, and approved to be used on goods of toilet soap in class 3. The reference mark was the “NIKE” mark (No.879423) earlier applied for registration by the Nike International Inc. (Nike) and approved to be used on goods of clothes in class 25. The Trademark Office refused the registration of the mark applied for registration, and Zhao Hua applied for review and adjudication. The TRAB took the view that the mark applied for registration was composed of the Chinese characters “胜利女神”, the English word “NIKE” and the device. Its English word “NIKE” was exactly identical with the English part of Nike’s prior registered “NIKE” mark (No. 879423). While the goods on which the mark applied for registration was to be used were not of the same class as, nor similar to, those on which the reference mark was used, registration and use of said mark was very much likely to cause consumers to believe that it had certain connection with the reference mark of relatively high reputation, and would cause confusion about the source of the goods, so had unhealthy social influence. The TRAB decided to have refused the registration of said mark. Further examination showed that the word “NIKE” meant the “Goddess of Victory” in Greek mythology, and referred to “Nike-type ground-to-air missile” made in the United States of America. Nike Hydraulic Power Corporation, not a party to the case, applied, on 23 March 2001, for registration of “NIKE” mark to be used on goods in classes 8 and 7; Xinyuan Enterprise Co., Ltd., not a party to the case either, applied, on 5 January 2004, for registration of “NIKE” to be used on goods in class 21; Shenzhen City Yeilaixiang Health Food Co., Ltd., not a

party to the case either, applied, on 19 November 2002, for registration of “NIKE” mark to be used on goods in class 10. The applications for registration of all the marks were approved. The first-instance court found that the mark applied for registration consisted of three parts: the “device, NIKE and 胜利女神”, none of which was unhealthy. Use and registration of the mark would do no harm to the public interests and order, nor cause other unhealthy influences. Whether co-existence of the mark applied for registration and reference mark would lead to confusion about the source of goods or services on the part of consumers was not within the regulation of the principle of the accepted public order and fine customs. The first-instance court decided to have reversed the TRAB’s adjudication, and ordered the TRAB to make another one. Upon hearing the case of appeal, the Beijing Higher People’s Court found that the mark applied for registration consisted of three parts “the device, NIKE and 胜利女神”; “胜利女神” was the Chinese translation of the word “Nike”. While relatively rare in meaning for Chinese, there was not any unhealthy content in the word, and the mark and its elements would not have negative, adverse influence on the politics, economy, culture, religion, esthetic communities, and public order and interests in China; whether the mark applied for registration should be approved for registration did not fall into the circumstance mentioned in Article 10, paragraph one (8) of the Trademark Law.

23. Determination on registrability of marks containing foreign geographical names well-known to the public, but having otherwise meanings and having distinctive character as a whole

A mark may be approved for registration when it contains a foreign geographical name, but such name has otherwise meaning and distinctive character as a whole, and is unlikely to create confusion about the source of the goods on the relevant sector of the public.

In the *Georgia Pacific Co., Ltd. (GPC) v. TRAB*, an administrative case of dispute over review and adjudication of refusal of the mark “Georgia Pacific”¹⁰, the GPC applied for registration of word mark “Georgia Pacific” and the Trademark Office refused on the ground that “Georgia” was a geographical name well known to the public. And the TRAB did the same. The first-instance court found that the mark “Georgia Pacific” did not fall into the circumstance mentioned in Article 10, paragraph two, of the Trademark Law, and the TRAB erred in application of law when it refused the application of registration of the mark applied for registration

on this ground. The court then decided to have reversed the TRAB’s adjudication and ordered the TRAB to make another one.

Upon hearing the case of appeal, the Beijing Higher People’s Court found that while the English equivalence of the Chinese word “乔治亚” (pronounced as “Qiao zhi ya”) and “佐治亚” (Pronounced as “Zuo zhi ya”) was “Georgia”, “Georgia”, as an English personal name, was usually translated into “乔治亚”, and it, as a geographical name, “佐治亚”; it was “佐治亚” or “佐治亚 State”, not “乔治亚”, was the geographical name well known to the Chinese public. That was to say, the Chinese equivalence of “Georgia” as a State name of the US was “佐治亚”, not “乔治亚”. For this reason, “乔治亚” was not naturally the equivalent of “Georgia” as the US state name, or even if “乔治亚” had the meaning of a US State name, it was one having its otherwise meaning of a personal name. Besides, the “Pacific” in the mark was a particular name of the ocean well-known to the relevant sector of the public in China, and similarly had distinctive character, which might serve as a word indicating the source of goods. Therefore, “Georgia Pacific”, the mark applied for registration, as a whole, had certain distinctive character, and would generally not cause mistaking about the source of goods on the relevant sector of the Chinese public, which fell into the circumstance of registrability mentioned in Article 10, paragraph two, of the Trademark Law.

39. Determination on symbolic use of registered marks solely for the purpose of maintaining their registration

Under Article 44 of the Trademark Law, any registered trademark the use of which has ceased for three consecutive years may be cancelled according to the law. The use of a trademark in the meaning of the Trademark Law includes use of a mark in respect of goods, on package or container of goods and in transaction documents of goods, or in advertising and promotion, exhibition or in other commercial activities. The use of a trademark should be genuine and indicative. That is, it should be one under the trademark proprietor’s control; the act of use could show the connection between the mark and particular goods or services, and cause the relevant sector of the public to be aware that said mark was used to indicate particular goods or services. The use of a registered mark only or mainly for the purpose of maintaining the validity of trademark registration should not be deemed to be one in the meaning of the Trademark Law, or at least, was not sufficient to keep the validity of the trademark registration. In determining whether the use of a trade-

mark is symbolic solely or mainly for the purpose of maintaining the validity of trademark registration, comprehensive consideration should be taken of such factors as the subjective purpose of the user, the specific mode of use and the existence or non-existence of other use of a mark.

In the Hangzhou Paint Corporation v. TRAB and Jin Lianqin, an administrative case of dispute over review and adjudication of refusal of “大桥 DAQIAO (both meaning “large bridge” in Chinese) and the device” mark¹¹, the mark under review “大桥 DAQIAO and device” had been approved to be used on goods in class 19, such as plywood and paint for non-metal building, and Jin Lianqin was the proprietor thereof. The Hangzhou Paint Corporation requested to cancel the registration of said mark used on goods of the paint for non-metal building on the ground that the use of said mark had ceased for three consecutive years. Both the Trademark Office and TRAB held that Jin Lianqin’s evidence was valid, and decided to have maintained the registration of said mark. The first-instance found that while the advertisement the registrant of the mark under review placed was an act of use in the meaning of the Trademark Law, the just-for-once advertisement did not reach a fairly large extent; in the absence of other evidence, it was impossible to determine that such act was honest and in good faith. It was erroneous for the TRAB to have decided that the mark under review was used during the three years in question.

Upon hearing the case of appeal, the Beijing Higher People’s Court found that Jin Lianqin was assigned the mark under review. In the three years in question in the review and adjudication of said mark, the turnover of the goods bearing said mark was only RMB 1,800 yuan, and the advertisement for it was placed only once on the Huzhou Daily of limited circulation nationwide, both of which happened in the last three months of the three years involved in the review and adjudication of the mark. For that matter, the use of the mark under review was symbolic for the purpose of evading the provision of Article 44 of the Trademark Law to maintain the validity of its registration, rather than for true business purposes. Therefore, such use was not one under Article 44 of the Trademark Law, and not sufficient to maintain the validity of the registration of the mark under review.

41. Determination of deeming OEM to be the “use” under Article 44 (4) of the Trademark Law

Article 44 (4) of the Trademark Law provides that the Trademark Office would order to rectify the situation of non-

use of a registered trademark for three consecutive years within a specified period or even cancel the registered trademark. The aim of the provision is to promote the practical use of a trademark and bring it into full play. In determining the presence of use for maintaining trademark registration valid, what should be prevented are waste of trademark resources and infringement of trademark registrants’ legitimate rights and interests caused by rash cancellation of registered marks. As for OEM, e.g. a registered mark is used only on goods made in China, and the goods bearing said mark are all sold outside of China, if someone requests cancellation of the registration of that mark on the ground of its non-use within the territory of China under Article 44 of the Trademark Law, determination must be made as to whether such use is one in the meaning of the Trademark Law. It is just an issue of much divided views in the judicial practice. As the Beijing Higher People’s Court’s recent judgment shows, it is possible to deem OEM to be the use of a trademark in the meaning of the Trademark Law.

In the Hongbifubi Co., Ltd. v. TRAB and Wenkele International Co., Ltd, (Wenkele), an administrative case of dispute over review and adjudication of refusal of “SCALEX-TRIC” trademark,¹² the mark under review was “SCALEX-TRIC” of Hongbifubi. The mark was approved for registration on 21 February 1995 to be used on goods of toys in class 28. Wenkele requested to cancel the registration of said mark on the ground that said mark was not used for three years from 3 April 1998 to 2 April 2001. The Trademark Office, upon examination, decided to have cancelled the registration of said mark. During the review and adjudication, the Hongbifubi’s evidence showed that in those three years, Hongbifubi entrusted a domestic business with manufacture of the goods bearing said mark, and all the goods were sold outside of China. The TRAB held that Hongbifubi’s evidence could not prove that said mark was effectively used in mainland China, and decided to have cancelled the registration of said mark. The first-instance court found that the Hongbifubi only entrusted the domestic business with making the toy-parts bearing the mark under review, and the finished products of toy were sold abroad, without any marketing done in China. Given the fact that the goods bearing the mark under review were not distributed in or put on the Chinese market, even if said mark was used in making the toys, it was impossible for the consumers of the toys within the territory of China to have access to the goods. For that matter, such use could not function to indicate the source of goods, nor was it the use in

the meaning of the Trademark Law. The first-instance court made the judgment to have maintained the TRAB's adjudication.

Upon hearing the case of appeal, the Beijing Higher People's Court found that making materials supplied by clients was a way of transaction in which a Chinese business, according to the requirement of a foreign business, made the raw materials or parts a foreign business supplied, and the end products were shipped to the foreign country for sale. While the products made this way were not actually put on the Chinese market, if the use of a trademark this way was not determined as use of a trademark, it might be unfair that non-use of the exclusive right to use a relevant mark constituted a ground of cancellation of a trademark registration, which was contrary to the policy for promoting foreign trade. In the three years in question of the mark under review, Hongbifubi shipped, from foreign countries the toy parts bearing the mark under review to businesses in China to make the same parts into products of toy, and then distributed all the end products of toy in foreign markets. While said mark had been approved to be used on goods of toys, use of the mark on the parts of toys, made the parts into toys by way of making materials supplied by clients, and then sold them abroad should be deemed to be the use of a mark on the designated goods of toys.

Latest developments in trial of civil trademark cases

42. Determination of amount of damages for infringement of registered trademark not in use

In trademark infringement cases, if a plaintiff makes his or its claim on the ground of a non-use of a registered mark, account should be taken of the actual state of non-use of the mark when awarding the amount of damages.

In *Xue Zhongding v. the Beijing Huayi Brothers Music Co., Ltd.* (Huayi), a case of dispute over infringement of trademark right¹³, Xue Zhongding was the owner of the exclusive right to use the registered mark "Warring States Music and the device", and Huayi used said mark without authorisation from Xue Zhongding, infringing Xue Zhongding's exclusive right to use said mark. The first-instance court decided to have ordered Huayi to pay Xue Zhongding RMB 50,000 yuan in compensation for his economic losses and RMB 20,000 yuan for other reasonable expenses.

Upon hearing the case of appeal, the Beijing Higher

People's Court found that, while Xue Zhongding did not prove that he had used his registered mark within the approved scope, or licensed another party to use said mark, nor did he produce any evidence to show his actual losses caused because of the infringement, and the claimed amount of reasonable expenses for the lawsuit, taking into account of the facts that Xue Zhongding was once the supervisor for manufacturing music CDs, and the chief representative of the Beijing Office of the Rolling Stone Phonograph (Singapore) Co., Ltd., it was possible to determine that Xue Zhongding had certain connection with the relevant circle of the goods on which the mark in suit was used; it was possible for him to practically use the mark in suit; and the allegedly infringing act might have some impact on Xue Zhongding's use, or on his license of the mark in suit to another party to gain financial benefits. For that matter, it was proper for the first-instance court to have decided, at its discretion, the amount of damages and reasonable expenses by taking comprehensive consideration of the factors, such as the time in which Xue Zhongding did not use the mark in suit, the reasonable expenses for ceasing the infringement, the character, circumstances and extent of the infringement involved, and the class of the goods.

43. Determination of causality between losses caused because of infringement and injury caused by the infringement

Damages mean a compensation for injury caused because of infringement of a right, so between injury and infringement there should exist a relevant causality. Since an IP right has particular source of value, it is more difficult to determine the amount of damages for IP infringement than that for infringement of any other tangible property right. The amount of damages for infringement of trademark right may be determined on the basis of a rightholder's losses or an infringer's benefits. But when determining the benefits made by an infringer, the benefits earned not through infringement should be deducted from the amount of damages, or the rightholder would unfairly take up the infringer's legitimate benefits. In Article 56 of the Trademark Law, the benefits that an infringer has earned because of infringement during the period of the infringement is taken as the standard or method for determining the amount of damages for infringement of the exclusive right to use a registered trademark, which shows the causality between infringement and injury.

In the case that *Tianjin Huanbohai Cultural Industry Co., Ltd.* (Huanbohai) v. CCTV for the latter's use of the name of

its programme “Happy Meeting at Weekend” infringed its exclusive right to use the registered mark of “Happy Meeting at Weekend” (No. 1774209)¹⁴, the first-instance court, upon finding the latter infringing, awarded the damages at the amount of RMB 3 million yuan for the infringement mainly on the basis of the RMB 5.20 million yuan for the advertising agency fee as agreed in the co-operation treaty on said programme from 2000 to 2004 between the two parties involved.

Upon hearing the case of appeal, the Beijing Higher People’s Court found that the RMB 5.20 million yuan for the advertising agency fee agreed in the co-operation treaty between the two parties involved should be paid by Huanbohai to CCTV; the reason for Huanbohai to pay that amount of the advertising agency fee was that it expected to gain even more benefits through CCTV, a nation-wide medium, and the programme of “Happy Meeting at Weekend”; the benefits gained was more because of the reputation of CCTV *per se* than that of the “Happy Meeting at Weekend” trademark (No. 1774209). For this reason, there did not exist causality between the advertising agency fee of RMB 5.20 million yuan and CCTV’s allegedly infringing act, and the advertising agency fee should not taken as the major factor for calculating the amount of damages. Since the reputation gained through the joint use of said mark of the two parties involved from 2000 to 2004 depended more on the success of the programme and the reputation of CCTV, the amount of damages caused by CCTV’s infringement of use of said mark after October 2006 should not be rashly determined on the basis of the corresponding benefits CCTV earned. The Beijing Higher People’s Court awarded RMB 300,000 yuan of damages upon comprehensive consideration of the contribution CCTV made to the reputation of the programme “Happy Meeting at Weekend”, the character, duration and consequence of its infringement and the reasonable expenses Huanbohai paid for the lawsuit. ■

(Written by Liu Xiaojun; Reviewed by Chen Jinchuan)

¹ See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 283/2010, and the Beijing No. 1 Intermediate People’s Court’s Administrative Judgment No. Yizhongzhixingchuzi 2359/2009.

² See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 1441/2009, and the Beijing No. 1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 911/2009.

³ See the Beijing Higher People’s Court’s Administrative Judgment No.

Gaoxingzhongzi 1026/2010, and the Beijing No. 1 Intermediate People’s Court’s Administrative Judgment No. Yizhongzhixingchuzi 1387/2010.

⁴ See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 1237/2010, and the Beijing No. 1 Intermediate People’s Court’s Administrative Judgment No. Yizhongzhixingchuzi 1088/2010.

⁵ See the Beijing Higher People’s Court’s Administrative Judgments Nos. Gaoxingzhongzi 288,290,306,319,322 and 332/2010, and the Beijing No. 1 Intermediate People’s Court’s Administrative Judgments Nos. Yizhongxingchuzi 2124, 2116, 2122, 2130, 2123 and 2128/2009.

⁶ See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 816/2010, and the Beijing No. 1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 2660/2009.

⁷ See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 839/2010, and the Beijing No. 1 Intermediate People’s Court’s Administrative Judgment No. Yizhongzhixingchuzi 835/2010.

⁸ See the Beijing Higher People’s Court’s Administrative Judgments Nos. Gaoxingzhongzi 767, 775 and 777/2010, and the Beijing No. 1 Intermediate People’s Court’s Administrative Judgments Nos. Yizhongzhixingchuzi 431, 432 and 430/2010.

⁹ See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 387/2010, and the Beijing No. 1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 1750/2009.

¹⁰ See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 548/2010, and the Beijing No. 1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 2053/2009.

¹¹ See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 294/2010, and the Beijing No. 1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 2131/2009.

¹² See the Beijing Higher People’s Court’s Administrative Judgment No. Gaoxingzhongzi 265/2010, and the Beijing No. 1 Intermediate People’s Court’s Administrative Judgment No. Yizhongxingchuzi 1840/2009.

¹³ See the Beijing Higher People’s Court’s Civil Judgment No. Gaominzhongzi 1831/2010, and the Beijing No.2 Intermediate People’s Court’s Civil Judgment No. Yizhongminchuzi 15369/2009.

¹⁴ See the Beijing Higher People’s Court’s Civil Judgment No. Gaominzhongzi 1731/2007, and the Beijing No. 1 Intermediate People’s Court’s Civil Judgment No. Yizhongminchuzi 1747/2009.