

Latest Developments in Adjudication of IP Cases by Beijing High People's Court in 2017

(Abridged Part on Trademark)

The IP Tribunal of the Beijing High People's Court

I. Administrative cases involving the grant and affirmation of trademark rights

Overall judgment should be made as to the determination of whether a mark is identical or similar to the State name "China" under Article 10.1(1) of the China's Trademark Law

"Identicalness or similarity" between a mark and the State name under Article 10.1(1) of the China's Trademark Law means that the mark sign as a whole is identical or similar to the State name.

In *Chinese Estates Holdings Limited v. the Trademark Review and Adjudication Board (TRAB)*¹, the disputed mark consists of a figurative element, Chinese characters (華人置業集團) and English words (CHINESE ESTATES HOLDINGS LIMITED CHINESE ESTATES HONG KONG) (see right). The alleged Decision and the first-instance judg-

ment both concluded that the disputed mark falls within the circumstances prescribed in Article 10.1(1) of the China's Trademark Law.



The disputed mark

The court of second instance deemed that although "CHINESE" can be translated as "of or pertaining to China or its peoples", the relevant public in China would not regard it as being identical or similar to the name of China when identifying the disputed mark as a whole. Thus, the first-instance judgment and the alleged Decision erred in concluding that the disputed mark falls within the circumstances prescribed in Article 10.1(1) of the China's Trademark Law.

As regards whether "malicious" preemptive registration

of a well-known mark occurs, various factors should be taken into comprehensive consideration.

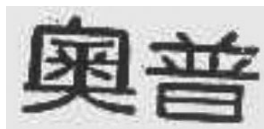
“Malicious” in Article 45.1 of the China’s Trademark Law is the subjective intent of the original applicant when applying for a disputed mark. Whether the mark application is malicious should be determined in consideration of the following factors: the extent of similarity between the disputed mark and the cited mark, the well-knownness of the cited mark, the link between designated goods, and the way to use the disputed mark.

In the *TRAB and Yunnan Aopu Weiye Metal Building Material Co., Ltd. (Yunan Aopu Co.) v. Zhejiang Modern New Energy Source Co., Ltd. (Modern Co.)*², the mark “奥普 aopu” (No. 1737521) (hereinafter referred to as the disputed mark, see below) was applied by Ruian Qicai Trading Co. (Ruian Qicai Co.) with the China Trademark Office (CTMO) on 27 March, 2001, and registered on 28 March, 2002 on goods in Class 6: metal building materials. The mark was assigned to Tu Xiuping, the legal representative of Ruian Qicai Co., on 28 December, 2004 and later to Modern Co. on 7 August, 2009. The mark was jointly owned by Modern Co. and Yunan Aopu Co. on 13 June, 2013. The term of the disputed trademark right will expire on 27 March, 2022.

The cited mark “奥普” (No.1187759) was applied by Hangzhou Aopu Co. with the CTMO on 16 April, 1997, and registered on 28 June, 1998 for use on goods in Class 11: appliances for heating and sanitary purposes. The term of the cited trademark right expired on 27 June, 2018.



The disputed mark



The cited mark

On 6 November, 2009, Hangzhou Aopu Co. requested to invalidate the disputed mark and to establish the cited mark as well-known. The TRAB ruled to maintain the disputed mark. The court of first instance, however, decided to revoke the TRAB’s ruling and ordered the TRAB to issue a new ruling.

The court of second instance held that the disputed mark is highly similar to the cited mark. The term “奥普” is not a proper noun, the disputed mark designated on such goods as appliances for heating and sanitary purposes possesses strong distinctiveness, and it was not a coincidence

that the applicant of the disputed mark registered a mark that is highly similar to the cited mark. The cited mark has been established as a well-known mark prior to the filing date of the disputed mark, and is highly renowned. Ruian Qicai Co., the applicant of the disputed mark, and Hangzhou Aopu Co. are both located in Zhejiang province and very close to each other geographically. After applying for the disputed mark, Ruian Qicai Co. changed its name to Ruian Aopu Sanitary Ware Co., Ltd. with its business scope covering sanitary wares and accessories. The well-knownness of the cited mark can reach as far as the geographical scope where Ruian Qicai Co. is located and the business scope of the latter. Judging from the designated goods, the disputed mark is designated on metal building materials, whereas the goods for which the cited mark is well-known include bath heaters and steam showers. The relevant public for the disputed mark and the cited mark is quite similar. The use of a highly similar mark on those goods is readily to lead the relevant public to link them up, thereby causing confusion. Judging from the actual use of the disputed mark, Ruian Qicai Co. did not manufacture and sell the designated goods “metal building materials”, from which we can see that Ruian Qicai Co. does not intend to use the disputed mark on its designated goods, and its acts of applying for the disputed mark and changing the tradename were intended to “hoard” resources owned by the sign “奥普”. In comprehensive consideration of the above factors, the court can presume that the application for the dispute mark was malicious.

In the administrative cases involving trademark affirmation, the intent of an applicant should be considered as a factor in judging the likelihood of confusion

Whether Article 30 of the China’s Trademark Law is violated should be judged by taking account of similarity between mark signs, similarity between goods, distinctiveness and well-knownness of the disputed mark, attention aroused among the public and other factors. The intent of a mark applicant and the evidence in support of the existence of confusion are the factors to be considered when judging the likelihood of confusion.

In the *TRAB and Baoding Century Starlight New Energy Co., Ltd. (Century Starlight Co.) v. Shenzhen Bang-bell Electronics Co., Ltd. (Bang-bell Co.)*³, the disputed mark is the mark “BBE” (No.6819195) applied on 3 July, 2008 and designated on services in Class 42, i.e., “consultancy in the field of energy-saving”. The disputed mark will expire on 13

September, 2020 and the mark owner is Century Starlight Co. The cited mark I is the mark “邦贝尔 BBE and device” (No.3842285) applied on 12 December, 2003 and designated on goods in Class 9, such as “flashing lights; signal bells; neon signs; electronic notice boards”. The cited mark I expired on 13 May, 2016 and the mark owner is Bang-bell Co. The cited mark II is the mark “BBE and device” (No.6816962) applied on 2 July, 2008 and designated on goods in Class 9, such as “lighting apparatus for conveying tools in air; light bulbs; miners’ lamps; street lamps”. The cited mark II will expire on 27 March, 2022 and the mark owner is Bang-bell Co.

The TRAB found that the service, “consultancy in the field of energy-saving”, for which the disputed mark is used is different from the goods, “flashing lights; light bulbs”, for which the cited marks I and II are used in terms of application, users and sales channels, which do not pertain to similar goods and services. The disputed mark and the cited mark do not constitute similar marks designated on similar goods and services as stipulated in Article 28 of the Trademark Law (2001). The TRAB ruled to maintain the validity of the disputed mark.

The court of first instance held that the sale of the goods “street lamps”, for which the cited mark II is used, is in close association with the service “consultancy in the field of energy - saving”, for which the disputed mark is used. The close association tends to lead the relevant public into believing that they are offered by the same provider or there is a link between their providers, so that they are considered as similar goods and services. The goods for which the cited mark I is used and the goods (except “street lights”) for which the cited mark II is used are not quite closely linked with the service, “consultancy in the field of energy-saving”, during a sale, so they are not similar goods and services. The disputed mark is similar to the cited mark II in terms of pronunciation and literal composition, and does not have a meaning different from that of the two cited marks. When the disputed mark is used on such goods as “street lights” and the service, “consultancy in the field of energy-saving”, it is prone to cause confusion about the source of goods or services among the relevant public, and therefore constitutes a similar mark used on similar goods or services. To conclude, the court of first instance decided to revoke the alleged Ruling and ordered the TRAB to reissue a Ruling.

The court of second instance held that the service,

“consultancy in the field of energy-saving”, for which the disputed mark is used is associated with the goods, “street bulbs”, for which the cited marks are used in terms of function, application, sales channels, and consumers. Both the disputed mark and the cited marks contain the letters “BBE”, and Century Starlight Co., which was the then agent of Bang-bell Co., should avoid the use of the above letters when applying for the disputed mark. When applying for the disputed mark, Century Starlight Co. also applied for the mark “邦贝尔” (which is the Chinese characters of Bang-bell) on goods in Class 11. In comprehensive consideration of the intent of Century Starlight Co., the well-knownness of the mark “邦贝尔 BBE and device” owned by Bang-bell Co., the similarity between goods or services, and the similarity between marks, the court of second instance decided that the use of both the disputed mark and the cited marks on identical or similar goods or services is liable to make the relevant public think that the goods or services are offered by the same provider or there is a link between their providers, thereby causing confusion and misconception about the source of goods or services among the relevant public. The original judgment was affirmed on the grounds that the disputed mark and the cited marks constitute similar marks used on identical or similar goods or services.

Cancellation of the cited mark owner cannot hinder the registration of the disputed mark

If a mark registrant no longer exists, the function of the mark to distinguish the source of goods will vanish as well. A mark, which loses its inherent function due to the cancellation of the mark owner, cannot serve as the prior mark to hinder the registration of the disputed mark.

In *Mi Tao v. TRAB*⁴, the disputed mark is “一品布衣生活馆”, which has the application No. 16693566 and is designated on such services as import & export agency and selling for others; whereas the distinctive characters of the cited mark II are “一品布衣”, which has the registration No.14207196 and is registered by Shanghai Tony Catering Management Co., Ltd. (Tony Co.). The TRAB decided that the application for the disputed mark on the services “systemization of information into computer databases; business auditing; and retail services or wholesale services for medical supplies” was preliminarily approved and the application for the disputed mark on other services was rejected. In the first - instance proceedings, Mi Tao submitted evidence concerning the Commercial Register of the owner of the cited mark II, indicating that the owner of the cited mark

II, Tony Co., has been cancelled on 11 November, 2015.

The court of first instance held that the cited mark II should not hinder the registration of the disputed mark as it cannot function to distinguish the source of goods (which is not a matter concerning the distinctiveness of the mark *per se*). Thus, no comments will be made on whether the disputed mark and the cited mark II constitute similar marks used on identical or similar services. The court of first instance decided to revoke the alleged Decision and ordered the TRAB to make a new Decision.

The court of second instance stated that the trademark law is stipulated for the purpose of protecting the interests of consumers, producers and operators. The relevant public distinguishes the source of goods in accordance with the mark used in trade therewith. The mark corresponds to the goods, as well as the producer and operators of the goods. If a mark registrant no longer exists, the function of the mark to distinguish the source of goods will vanish accordingly. A mark, which loses its inherent function due to the cancellation of the mark owner, cannot serve as the prior mark to hinder the registration of the disputed mark. The owner of the cited mark II, Tony Co., does not exist as a legal subject, and the Commercial Register and the dossier concerning the cited mark II show that Tony Co. did not do something to its trademark right before its cancellation. That is to say, no subject is entitled to the cited mark II. In view that there is no assignment of the cited mark II till the second instance of the case, and the evidence did not suffice to prove the likelihood of confusion between the disputed mark and the cited mark II, the cited mark II should not function as the basis for judging whether the disputed mark can be approved of registration in this case.

Relevant factors should be taken into comprehensive consideration in the determination of whether the disputed mark impairs the prior copyright

In the determination of whether a trademark application impairs the prior copyright, the following four factors should be taken into account: (1) whether the work in suit is eligible for copyright protection; (2) whether the party concerned is the right owner or interested party of the work in suit; (3) whether the applicant of the disputed mark is likely to contact the work in suit before the application date of the disputed mark; and (4) whether the disputed mark and the work in suit constitute substantial similarity. If the disputed mark is found to be obviously incompliant with one of the four factors, the mark does not impair the prior copyright and there

is no need to make a judgment after considering all the four factors.

In *Kee Wee Hup Kee Food Manufacture Pte. Ltd. (Kee Wee Co.) v. TRAB and Li Xiaoqun*⁵, the application “EGO and device” (No.5493533) (the disputed mark) was filed by Li Xiaoqun on 21 July, 2006 and designated on such goods as meat and preserved fruits in Class 29. Kee Wee Co. raised an opposition to the disputed mark within the statutory time limit. The CTMO granted the disputed mark. Kee Wee Co., being dissatisfied with the registration, filed a request for review on the opposition of the disputed mark with the TRAB, which decided that the evidence on record is not sufficient to determine that the disputed mark impairs the other’s prior copyright, so the disputed mark should be approved of registration. The court of first instance did not support the Kee Wee Co.’s litigation claims concerning the prior copyright, and decided to reject the Kee Wee Co.’s litigation claims.

The court of second instance stated that the device “EGO” claimed by Kee Wee Co. constitutes the work of art in the sense of the copyright law. On account of the evidence submitted by Kee Wee Co., such as the trademark registration certificates obtained in other countries or regions except the Chinese mainland before the registration date of the disputed mark, it can be proved that Kee Wee Co. has obtained the mark “EGO” in many countries and regions. Meanwhile, in conjunction with the delivery certificate for exporting the goods under the mark “EGO” to the Chinese mainland, the witness’ testimony and the later copyright registration certificate, it can also be proved that Kee Wee Co. constitutes the interested party of the copyright relating to the device “EGO”. Given that the disputed mark is substantially identical to the work of art (the device in suit “EGO”) in terms of design, constitutive elements and overall visual effect, and the goods under the mark registered by Kee Wee Co. at the countries or regions other than the Chinese mainland and the goods for which the disputed mark is used, such as “potato chips”, constitute identical or similar goods, it can be presumed that Li Xiaoqun is likely to contact the work in suit prior to the application date of the disputed mark where there is no evidence adduced by Li Xiaoqun to prove that the device in the disputed mark was independently created by himself, and the disputed mark and the device in suit “EGO” constitute substantial similarity. Hence, the disputed mark impairs the prior copyright on the device “EGO” owned by Kee Wee Co. as the interested

party, which stands in violation of Article 31 of the Trade-mark Law (2001).

The Statement of Copyright Ownership unilaterally issued by one party is not the statutory *prima facie* evidence of copyright ownership, and cannot serve as the evidence for proving copyright ownership in case of counter-evidence

There is no provision in the trademark law, the copyright law and the Judicial Interpretations thereof that stipulates the Statement of Copyright Ownership unilaterally issued by one party can function as the statutory *prima facie* evidence of copyright ownership. As regards a work created by commission, it cannot be determined that the copyright on the work belongs to the entrusting party simply according to the Statement unilaterally issued by the entrusting party. In particular, the copyright ownership cannot be determined in case of other evidence against the Statement.

In *Shanghai Yixiang Stationery Co., Ltd. (Yixiang Co.) v. the TRAB and Picasso International Enterprise Co., Ltd. (Picasso Co.)*⁶, i.e., two disputes with respect to review on opposition against the figurative marks Nos. 10213372 and 10213217, Yixiang Co. applied for the figurative marks (collectively known as the disputed mark) on goods in Class 28 “toys; balls for sport activities; balls for games; tennis ball throwing apparatus; bats; tables for table tennis; golf gloves; baseball gloves; fencing weapons” and goods in Class 25 “clothing; football boots; shoes (footwear); shoes; caps; socks; gloves (clothing); babies clothing; neckties; belts”.

Picasso Co. raised an opposition with the CTMO within the statutory time limit. The CTMO ruled to reject the disputed mark. The TRAB held the disputed mark impairs the prior copyright of Picasso Co., ruling that the disputed mark should not be granted.

The court of first instance held that the ownership evidence submitted by Picasso Co. is the notarized Copyright Statement, which indicates that Picasso Co. entrusted Pei Yuru, a third party, to design the figurative work in suit and obtained the copyright on the design. The notarized documents also include, among other things, the list of payments made to Pei Yuru, invoices and store signboard and packaging boxes designed by Pei Yuru. Yixiang Co. asserted that Picasso Co. is not the right holder of the work in suit, but the evidence Yixiang Co. submitted, such as the registration certificate of copyright on the Artistic Facial Make-up was not directly associated with the sign of the disputed mark, which cannot prove that Picasso Co. is not the right

holder of the work in suit. The court of first instance decided to reject the claims of Yixiang Co.

It was found in the second instance that the evidence, namely the Copyright Statement, according to which the TRAB and the court of first instance determined that Picasso Co. enjoys the copyright on the sign of the disputed mark, was unilaterally issued by Picasso Co. In order to prove the public use of the figurative work in suit before the application date of the disputed mark, Picasso Co. submitted the Civil Ruling No. Minshenzi 623/2011 issued by the Supreme People’s Court (briefly known as the Ruling No. 623), which recites “the ‘red-yellow block’ figure in the advertisement is a decorative logo on the pencil case package designed for promotion of pencil products.”

The court of second instance held that the ownership of copyright on a work created by commission should be agreed by the entrusting party and the entrusted party in the contract. Where there are no clearly worded provisions agreed in the contract or no contract is concluded, the copyright belongs to the entrusted party. Picasso Co. failed to provide the contract concluded between Picasso Co. and the entrusted party. The Copyright Statement, though declaring the copyright on the figurative work in suit is owned by Picasso Co., was unilaterally issued by Picasso Co. In the absence of the acknowledgement from the entrusted party, it cannot be determined that Picasso Co. and the entrusted party made a clear agreement on the ownership of copyright. Under such circumstances, the Copyright Statement cannot function as the *prima facie* evidence in support of Picasso Co.’s ownership of copyright. Moreover, the figure enclosed in the Copyright Statement does not include a figurative work in suit, but uses the figurative work as the background colour of the design as a whole. In addition, the Ruling No. 623 mentioned that the red-yellow block figure was designed by someone else, which casted great doubts on the ownership of copyright. In summary, it cannot be determined according to the current evidence that the copyright on the figurative work in suit belongs to Picasso Co. The court of second instance decided to reverse the judgment of the original instance and the TRAB’s ruling, and ordered the TRAB to make a new Ruling.

The quantity requirement, “extension beyond the reasonable range of the actual use of the registrant”, must be met for determination of “registration is obtained by other unfair means”

“Deceptive means and other unfair means” include the

large-scale pre-emptive registration of other's prior trademark having a certain reputation and transference of the same for the sake of profits. The determination of large-scale pre-emptive registration should satisfy some requirements, it is either the pre-emptive registration of a large number of similar signs, which constitutes the act of hoarding marks without actual use, or the pre-emptive registration of a plurality of different prior famous marks that involve a plurality of subjects or different signs.

In *Jiang Huijuan v. the TRAB and Victoria's Secret Store Brand Management Company (Victoria's Secret Co.)*⁷, the disputed mark is the mark "VICTORIA'S SECRET" (No. 7520061) applied by Jiang Huijuan on 6 July, 2009 and designated on goods in Class 32, such as beer and juices.

The mark "VICTORIA'S SECRET" (No. 1505378) and the mark "维多利亚的秘密" (No. 4481218, meaning "victoria's secret") (collectively known as the cited marks) are both valid prior marks registered by Victoria's Secret Co. on goods in Class 25, such as clothing.

After the preliminary approval of the disputed mark, the Victoria's Secret Co. filed an opposition with the CTMO, which later ruled to grant the disputed mark. The Victoria's Secret Co., being unsatisfied with the Ruling, filed a review application with the TRAB. The TRAB ruled that the disputed mark should be granted.

The court of first instance held that, in addition to the disputed mark, Jiang Huijuan also applied for the mark "VICTORIA'S SECRET" on goods or services in several classes, which sufficed to prove that Jiang Huijuan, who applied for the disputed mark, has a clear intention to copy and plagiarize other's trademark with a high reputation, and the act of Jiang Huijuan disrupted the normal order of trademark registration and management, and was detrimental to a fair and competitive market environment. In the light of the legislative spirit of prohibition of a mark obtained by deceptive means or other unfair means under Article 41.1 of the Trademark Law (2001), the disputed mark should not be granted.

The court of second instance held that the evidence on record merely proves that, in addition to the disputed mark, Jiang Huijuan also applied for the mark "VICTORIA'S SECRET" on goods or services in 9 classes. There are only a small number of marks, it is likely that Jiang Huijuan will put them into use, and the evidence on record does not suffice to prove that the cited marks have enjoyed a higher reputa-

tion in the Chinese mainland at the filing date of the disputed mark. In summary, the first-instance judgment determined that there lacks sufficient evidence proving Jiang Huijuan's intention of hoarding marks, and the application for the disputed mark does not fall within the circumstances of obtaining the registration "by deceptive means or other unfair means" under Article 41.1 of the Trademark Law (2001).

II. Administrative procedures involving the grant and affirmation of trademark rights

When trying the cases relating to review of the CTMO's Decision on Rejection of Mark Application, the TRAB should try the cases based on the CTMO's Decision on Rejection, the facts, reasons and requests at the time of filing the review, and the factual status at the time of review and adjudication.

In *the TRAB v. Chieftek Precision Co., Ltd.*⁸, regarding the disputed mark, the designated goods in the preliminary publication and the rejected goods "gears, other than for land vehicles" fall within the similar group in the sub-class 0750 in the Classification of Similar Goods and Services. The TRAB decided to reject the application for the disputed mark on such goods as "gears, other than for land vehicles; mechanical reeling apparatus; guides for machines; machine wheelwork; linear rails (machine parts); linear modules (machine parts) and linear motors" on the grounds that the disputed mark constitutes a similar mark used on identical or similar goods under Article 30 of the China's Trademark Law.

The court of first instance held that the disputed mark and the cited mark constitute similar marks. Regarding the disputed mark, the designated goods in the preliminary publication and the rejected goods "gears, other than for land vehicles" fall within the similar groups in the Classification of Similar Goods and Services, and are similar goods. Identical standards regarding whether goods are similar should apply in one case. It is unreasonable to grant a part of goods, and reject the other part of goods, when the goods are similar. This way obviously violates the principle of consistency in mark examination and should be rectified.

The court of second instance stated that since Chieftek Precision Co., Ltd. raised no objection to the grant of the disputed mark designated on "ball bearings; bearings (ma-

chine parts); transmission shaft bearings; roller bearings; ball screws”, these goods do not fall within the scope of review conducted by the TRAB. For this reason, it is proper for the TRAB to make comments on the reviewed goods only. The granted goods are apparently different from the rejected goods “gears, other than for land vehicles” in terms of function and usage. Though falling within the similar group in the sub-class 0750, they belong to different sections, and it is explicitly indicated in the footnotes that “the goods in different sections within the group are not similar”. Therefore, those goods are not similar goods. The judgment of the original instance lacks sufficient bases for determining that the goods falling within the same group constitute similar goods and is erroneous in concluding that the TRAB violates the principle of consistency in mark examination. Hence, the judgment of the original instance should be reversed.

Although similarity of marks should be examined on a case-by-case basis, attention should be paid to the consistency between mark examination standards and judicial adjudication standards

If the sign of the disputed mark in the case is substantially identical with the one in the precedent, the parties concerned are also the same, and the only difference between the marks lies in the goods or services on which the marks are designated for use, then the conclusion in the case should be, in principle, consistent with the conclusion in the precedent.

In *the TRAB v. Exxon Mobil Corporation*⁹, the disputed mark consists of English letters “ISOPAR” designated on goods in Class 1, “solidified gases for industrial purposes”. The TRAB determined the disputed mark to be a generic name pursuant to the Administrative Judgment No. Gaoxingzhongzi 1039/2012 (hereinafter referred to as the Precedent). The Precedent determined the mark “ISOPAR” (No.6331096) for use on goods in Class 1 “hydrocarbon solution for industrial purposes and extracted from petroleum” to be a generic name of goods according to the English-Chinese Information Technology Dictionary (2nd edition), which is also used in the case. The court of first instance held that the facts of the case are different from those in the Precedent, and the TRAB erred in determining, just according to one dictionary, that the disputed mark is a generic name of goods, and concluding the disputed mark on the goods in Class 1 “hydrocarbon solution for industrial purposes and extracted from petroleum” lacks distinctiveness

and cannot function to identify the source of goods.

The court of second instance held that the English-Chinese Information Technology Dictionary (2nd edition) published by the Chemical Industry Press defines the word “ISOPAR” as “(high purity) isoparaffin solvent, isoparaffin fraction (containing more than 95% of isoparaffin)”. Such a definition can function as the preliminary evidence for determining “ISOPAR” as a generic name of goods. The fact that a word is defined as a product name in an authoritative reference book or dictionary is a manifestation of the public’s general cognition of the word, and it is not required that all reference books and dictionaries in the field define the word as a product name. Although the evidence used in the case is different from the Precedent, there are no substantial differences between the key fact, and the factual bases in the case and the Precedent are basically the same. Thus, the case and the Precedent still belong to identical or similar cases. The court of first instance erred in deciding that the word “ISOPAR” is not a generic name due to the introduction of new evidence.

III. Trademark infringement

Whether to determine a well-known trademark shall be given consideration under the principle of determination according to need and on the basis of the plaintiff’s request

In *Beijing Beinong Guoxin Technology Development Co., Ltd. (Beinong Co.), Weifang Zhongke Agricultural Technology Development Co., Ltd. (Zhongke Co.), Zhang Zhimin and Zhang Dandan v. Exxon Mobil Corporation (Mobil Co.)*¹⁰, the court of first instance held that under the principle of determination according to need, generally speaking, if a mark designated on goods identical or similar to a well-known mark can be protected at the same level as the well-known mark, it is not necessary to determine whether the mark is well-known. As regards the same level of protection, it should be taken into account from at least two aspects, namely injunction and compensation for loss. In the present case, the court determined that the alleged act constituted infringement on three marks designated on goods in Classes 1 and 5 by Mobil Co. Since Mobil Co. did not actually use the mark, only injunction is granted, and no compensation can be awarded. If, however, the mark “MOBIL” (No. 174431) and the mark “美孚” (No. 174458, the Chinese translation of “Mobil”) constitute well-known marks, and the accused act impairs the right and interests of the

well-known marks, both injunction and compensation can be granted. It can thus be seen that, in the case, the protection of well-known marks owned by Mobil Co. is different from the protection of the mark registered in Classes 1 and 5. In view of this, it is necessary in the case to determine whether the mark constitutes a well-known mark.

The court of second instance held that Mobil Co. is entitled respectively to the exclusive rights on the marks “MOBIL” and “美孚” designated on goods in different classes. Even though it was determined that the accused act infringed Mobil Co.’s mark designated on goods in Classes 1 and 5, it is still required, upon the request of Mobil, to evaluate whether the accused act infringes Mobil Co.’s mark designated on goods in Class 4. Whether the marks “MOBIL” and “美孚” of Mobil Co. for use on such goods as “lubricants” constitute well-known marks should be determined based on the plaintiff’s claims, rather than under the principle of determination according to need.

Goods or services on which well-known marks are designated cannot be replaced by the accused products or services, and damages should not be calculated solely based on the reduced sales income of the right holder or the profits gained by the accused infringer.

Goods or services on which well-known marks are designated are neither identical nor similar to the accused products or services, and are irreplaceable by the latter. Therefore, damages should not be calculated solely based on the reduced sales income of the right holder or the profits gained by the accused infringer.

In *Beinong Co., Zhongke Co., Zhang Zhimin and Zhang Dandan v. Mobil Co.*¹¹, the court of first instance held that the profits gained through the accused act and the damages suffered by Mobil Co. were obviously much higher than RMB 4.5 million claimed by Mobil Co., so it fully supported the claimed damages.

The court of second instance held that the marks “MOBIL” and “美孚” of Mobil Co. constituted well-known marks since 2004, and the products under those marks have occupied a huge share in the lubricants market, especially in the advanced lubricants market. The accused act has undermined the distinctiveness of the marks “MOBIL” and “美孚”, caused confusion and misconception among the public, and impaired the interest of Mobil Co., the consequences of which are self-evident. Since goods or services on which well-known marks are designated are neither identical nor similar to the accused products or services, and are

irreplaceable by the latter, damages for infringement of well-known trademarks should not be calculated solely based on the reduced sales income of the right holder or the profits gained by the accused infringer. Comprehensive consideration should be given to factors indicative of market value of the mark, such as the profits gained by the accused infringer, and the distinctiveness and reputation of the well-known mark, and factors that can affect the extent of impairment, such as the infringement time and scope, so as to reasonably evaluate the losses suffered by the well-known mark owner from the accused act. The court determined at its discretion that Zhongke Co., Beinong Co., Zhang Zhimin and Zhang Dandan are jointly liable to pay compensation of RMB 300 million to Mobil Co., and Zhang Dandan is jointly and severally liable for compensation within the scope of RMB 300,000. The first-instance judgment is erroneous in calculating compensation on the basis of the sales income of Beijing Co. and Zhongke Co., and should be reversed. ■

(Reviewed by Yang Boyong)

¹ See the Administrative Judgments No. Jingxingzhong 730/2017 and Jingzhixingchuzi 2433/2015.

² See the Administrative Judgments No. Jingxingzhong 5666/2016 and Jingzhixingchuzi 4822/2015.

³ See the Administrative Judgments No. Jingxingzhong 1319/2017 and Jingzhixingchuzi 3060/2015.

⁴ See the Administrative Judgments No. Jingxingzhong 2568/2017 and Jing73xingchu 6374/2016.

⁵ See the Administrative Judgments No. Jingxingzhong 858/2017 and Yizhongxing(zhi)chuzi 5979/2014.

⁶ The Ruling No. 32717/2015 concerning review on opposition against the figurative mark No. 10213372, and the Ruling No. 9009/2015 concerning review on opposition against the figurative mark No. 10213217; the Administrative Judgments No. Jingzhixingchuzi 3941/2015 and 1127/2015; and the Administrative Judgments No. Jingxingzhong 1968/2017 and 1969/2017.

⁷ See the Administrative Judgments No. Jingxingzhong 3549/2016, 3556/2016, 3559/2016 and Yizhongxing(zhi)chuzi 9082/2014, 9081/2014, 9078/2014.

⁸ See the Administrative Judgments No. Jingxingzhong 3987/2016 and Jing73xingchu 120/2016.

⁹ See the Administrative Judgment No. Jingxingzhong 1421/2017.

¹⁰ See the Administrative Judgment No. Jingminzhong 544/2017 and the Civil Judgment No. Jingzhiminchuzi 143/2014.

¹¹ See the *supra* note.