# Probe into Rules for Judging Conflict Between Design Patent and Enterprise Name

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## I. Background

In recent years, the number of cases involving the invalidation of design patents on the grounds of Article 23.3 of the Patent Law has risen year over year, and the types of prior rights involved in design patent invalidation cases tend to be diversified, ranging from simple and intuitive trademarks to relatively complex copyrights, enterprise names and decoration of well-known goods. In June 2018, the former Patent Reexamination Board issued the Decision of Invalidation, which was the first case regarding the conflict between design patent and the prior enterprise name. Thereafter, the authors found that the number of cases involving the invalidation of design patents due to the conflict between design patents and enterprise names has kept on going up gradually. For this reason, what needs to be addressed urgently during the design invalidity examination at the current stage is to figure out the reasons for conflicts between design patents and enterprise names, correctly determine the scope of protection of prior enterprise names, and accurately apply judging rules.

## II. Reasons for conflicts between design patents and enterprise names

Why may conflicts occur between design patents and enterprise names? This can be mainly attributed to the attributes of intellectual property. Intellectual property refers to an exclusive right granted for intellectual achievements of humans according to law. It is in essence an intangible property right granted for intellectual achievements or knowledge products. Once related rights are granted for the same property object, there will occur cross protection. [1] Where objects susceptible of cross protection belong to different types of rights, conflicts of rights may arise.

1. Enterprise name

An enterprise name is the official name under which a commercial entity chooses to do business and the sign that distinguishes every entity. An enterprise name usually consists of four parts: the administrative division where the enterprise is located, trade name, industry and organizational form, [2] and the enterprise is entitled to the name right ever since the date of founding. [3] An enterprise name, as an intangible property, has the value that can be assessed in the form of currency and is transferrable according to law. In this sense, an enterprise name possesses the characteristics of both personality right and property right. It is a particular name used by the commercial entity to distinguish itself from other commercial entities, a manifestation of personalization and specialization of the commercial entity, and of great importance in identification.

According to relevant provisions of Regulations of the People's Republic of China for Controlling the Registration of Enterprises as Legal Persons [4] and the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition (Judicial Interpretation No. 2/2007) [5], protection is provided for an enterprise name in China under the following three circumstances:

First, the enterprise name registered according to law shall be protected and enjoys an exclusive right only within the geographical scope where the registration authority is located. This is in close association with the registration administration system that has been implemented in China for a long time. More emphasis shall be placed on the characteristics of property right possessed by the enterprise name that serves as an intellectual property right. The enterprise name is attached to a certain business and its goodwill. If

the enterprise name is expected to be effective against the third party, it must go through registration and disclosure procedures for gaining effect of demonstration [6]. It is the demonstration *in rem* that guarantees the legal protection for the enterprise name.

Second, protection can be conferred to the trade name in the enterprise name that enjoys certain reputation in the market and is well-known to the public. This is because the reputation of the trade name protected as the enterprise name has certain credibility, and such credibility should be protected. It shall be noted that the enterprise only has the right to use this kind of trade name, instead of an exclusive right, so only passive defence can be made.

Third, the protection of a foreign enterprise name is premised on actual use, irrespective of whether it has been registered in China or not and the reputation it enjoys. This point is different from the protection of a Chinese enterprise name.

In other words, as long as one of the three requirements is met, the enterprise name shall be given protection under the Chinese laws.

2. Design patent

Design patent refers to "a new design of the shape, pattern, or the combination thereof, or the combination of the color with shape and pattern, of a product, which is rich in an aesthetic appeal and is fit for industrial application" [7]. An applicant shall file an application in written with the China National Intellectual Property Administration ("CNIPA") under the State Council. The CNIPA conducts preliminary examination on designs, that is, examination is conducted on formality defects and obvious substantive defects of the application, without searching prior design and examining substantive defects such as lack of novelty. The term of a design patent shall be ten years, counted from the date of filing. As an intangible property, a design patent can be transferred according to law.

In China, design patents are regulated, restricted and protected mainly under the Patent Law and the Implementing Regulations of the Patent Law. The patent law empowers a right holder to have an exclusive right to implement its design in industry. The protection of patents aimed for effectively guaranteeing a monopolistic right to implement designs in industry is an indispensable choice.

3. Manifestation and causes of conflict of rights

The enterprise name right is basically an "identifying right". As for design patents, especially those for packaging products, it is very common to see identifying words or patterns, such as enterprise name, product signs, source of service and instruction, incorporated into the package of a product as design elements and appearing in an enlarged size and an eye-catching location. A word may be a subject eligible for protection as an enterprise name right, or may be incorporated as a pattern into the design patent.

In practice, conflict of rights between design patents and enterprise names is typically embodied as direct use of an enterprise name registered by others or a well-known trade name in the design of a product, or indirect use thereof by adding words like "supported" or "technically collaborated" in a small font size. These "copycat brands" are seen everywhere. In addition, there are a lot of conflicts that occur in a subjective state of good faith, but some of them involve unknown enterprise names or trade names. Most of the conflicts have caused damages to registrants of prior enterprise names, as they have given rise to confusion and misconception among consumers, and result in improper gains and losses, thereby distorting the strength of competing parties.

## III. Rules for judging conflict of rights between design patents and enterprise names

In regard to the conflict of rights therebetween, neither the Guidelines for Patent Examination nor the judicial practice provides explicitly worded judging rules. The authors intend to reflect on this matter in conjunction with specific cases.

1. Legal bases

Article 23.3 of the Patent Law reads: any design for which patent right may be granted must not be in conflict with any prior right of any other person. This is the legal provision that judges whether there is a conflict between the design patent and the prior right. The Guidelines for Patent Examination provide a clear definition to legal rights, and incorporate the enterprise name into legal rights by way of enumeration. There exists a conflict between the design patent and the prior right on condition that the exercise of the design patent violates the prior right. In the event of different types of prior rights, different criteria will be adopted for judging whether violation occurs. [8] For instance, criteria for judging the sameness or similarity of trademarks should be

applied to decide whether a design patent is in conflict with a prior trademark, and criteria for judging the sameness or substantial similarity of copyrights should be applied to decide whether a design patent conflicts with a prior copyright. As far as an enterprise name right is concerned, there are no specific laws in China setting forth explicit provisions on its judging rules, and provisions on protection of enterprise name rights are stipulated in different laws. Thus, the anti-unfair competition law is used as the examination basis when judging whether there is a conflict between enterprise name and design patent. In most cases, Article 6 of the Anti-Unfair Competition Law [9] is applied, which stipulates that an operator shall not commit the following confusing acts to mislead people into believing that a commodity belongs to another person or has a particular connection with another person:……(2) using, without authorization, another person's influential enterprise name (including abbreviations and trade names), social organization name (including abbreviations), or name (including pseudonyms, stage names and translated names)… Article 6 of the Judicial Interpretation No. 2/2007 reads: a trade name in the enterprise name that enjoys certain popularity in the market and is acknowledged by the public may be ascertained as an enterprise name as stipulated in Article 5(3) of the Anti-unfair Competition Law. [10] The above provisions indicate that the laws ban people from using, without authorization, another person's enterprise name that enjoys certain popularity or has certain influence.

2. Probe into specific judging rules

(1) Judging steps

In the authors' view, the steps for judging the conflict of rights between the design patent and the enterprise name are similar to the steps for judging the conflict of other rights, with the main differences lying in that the prior right is clarified as the prior enterprise name and adaptive amendments shall be made accordingly:

(i) to identify the prior enterprise name right and determine the scope of protection thereof;

(ii) to identify the relevant part of the design patent according to the photographs of the patent, together with the brief description;

(iii) to compare the relevant design of the present patent with the prior enterprise name right according to the scope of protection of the prior enterprise name right, and then conduct analysis and make judgments in view of the anti-unfair competition law.

(2) Key issues in judgment

The authors think that emphasis shall be placed on the following factors to judge the conflict between the above two rights by the aforesaid steps in conjunction with the method for identifying the enterprise name right and relevant judging criteria in the anti-unfair competition law.

(i) Determination of an enterprise name right

It is stipulated in Article 9 of the Measures for the Implementation of Administration of Enterprise Name Registration that an enterprise name shall be composed of administrative division, trade name, industry and organizational form in sequence. Under normal circumstances, the industry, organization form and administrative division in the enterprise name are used for general purpose and not major symbols to distinguish different enterprises. Generally speaking, a trade name is the core of the enterprise name and the most important distinguishing symbol, and the public tends to memorize and distinguish different enterprises by their trade names. The trade name, however, is only a constituent element of the enterprise name and not a right that can exist independent from the enterprise name. Moreover, since some enterprise names are quite special, the trade names thereof are not representative, and the public is more familiar with their abbreviations. For instance, "China First Financial Media Co., Ltd." has the trade name of "first" and is abbreviated as "Yicai" (which is the Chinese transliteration of "First Financial"); and "Sichuan Airlines of China" does not have a trade name, but is abbreviated as "Chuanhang" (which is the Chinese transliteration of "Sichuan Airlines"). Thus, in determining a prior right, efforts shall be made to clarify the enterprise name right, especially its important symbols used for distinguishing different enterprises, like the trade name or abbreviation.

(ii) Factors to be considered in determining the scope of the enterprise name right

After clarifying a prior right, it is also necessary to determine the scope of the prior art. The authors opine that first of all, the scope of the enterprise name right will be affected by the popularity of its trade name or abbreviation. When the trade name or abbreviation is the same as the trademark, account will be taken of the popularity of the trademark. This is a better way to prove that the prior trade name enjoys high popularity.

Take the Invalidation Decision No. 39507 [11] for example. The requestor submitted fourteen evidence, including various materials for promoting the company and Bud-

weiser beer through TV, Internet, newspaper and other advertising medium, related news reports and the certificate of well-known trademark, for the purpose of proving that the requestor's prior trade name "百威" (Chinese transliteration of Budweiser) has enjoyed higher popularity. As a matter of fact, those evidence submitted by the requestor is mainly related to the trademark "百威" it owns. Nevertheless, the core trade name in the requestor's enterprise name is identical with the trademark, so those evidence sufficed to prove that the trade name has enjoyed higher popularity and shall be provided with legal protection. On this basis, since the collegial panel held that the requestor and the patentee have the same core trade name in their enterprise names and are engaged in the same industry, the use or sale of the products using the patent in suit will cause confusion with the requestor's products among the public, and do harm to the legitimate rights or interests of the requestor. Hence, the patent in suit is in conflict with the requestor's prior enterprise name.


Fig. 1: Patent in suit involved in the Invalidation Decision No. 39507——Design patent No. 201730048939.X

Second, the scope of the enterprise name right will be affected by the control strength of the holder. If the enterprise name right falls within the public domain, the holder of the prior enterprise name has less control over the enterprise name right, and the later users have less obligation to evade the conflict of rights. The enterprise name right is constrained by territorial and industrial factors, and is weak in exclusivity, whereas the design patent has exclusivity under the jurisdiction of China. Therefore, in practice, it is quite necessary to take comprehensive consideration of the reasons and resulting consequences for using similar enterprise names by an operator and whether confusion may be caused among consumers and in the market. Operation in good faith and prohibition of confusion are the crucial principles for conferring protection to enterprise name rights.

Take the judgment No. Yu01minzhong 3926/2017 [12] for example. The plaintiff, Chongqing Tianchu Tianyan Co., asserted that enterprise names, "Chongqing Tianchu" and "Chengdu Tianchu", are completely the same in terms of the core trade name "Tianchu", so the enterprise name "Chengdu Tianchu" violates the enterprise name right of "Chongqing Tianchu". The court eventually concluded that as far as an enterprise name is concerned, "Tianchu" as a trade name has been widely used in the industries of catering, foodstuff and seasonings by relevant operators. Current evidence was not sufficient to prove that when applying to register an enterprise name, Chengdu Tianchu Co. had the intent of taking advantage of the enterprise name of Chongqing Tianchu Co. and the use of the words "Chengdu Tianchu" on its products as the enterprise name would not mislead the public into believing that those products were manufactured by Chongqing Tianchu Co. Thus, Chengdu Tianchu Co. may continue using its enterprise name.

It can thus be seen that the higher the inherent distinctiveness and popularity of a prior enterprise name are, the greater the level and scope of protection are, and the more obligation of evasion the subsequent users should have. The more often the trade name of the prior enterprise name is used by others, the more likely the trade name is in the public domain. Thus, the user of the prior enterprise name has less control over the trade name, and the subsequent users have less obligations to evade the conflict of rights.


Shanghai Tianchu Chongqing Tianchu Chengdu Tianchu

Fig. 2 Product packages of enterprises involved in the judgment No. Yu01minzhong 3926/2017

(iii) Overall consideration of factors that cause confusion and misconception

If a design is willfully entangled with a well-known enterprise name and constitutes confusion and misconception with the latter, it can be deemed that the design patent is in conflict with the enterprise name right. Confusion and misconception stipulated in China's Anti-Unfair Competition Law refer to the acts sufficient to cause misconception about the source of goods among the public, including the

acts that mislead the public into believing that an operator is authorized to use the enterprise name or has a connection with the operator that has certain influence. As for an enterprise name that is weak in distinctiveness, if a later user is able to prove, with various evidence, the same trade name is used in good faith and will not cause confusion and misconception, the act belongs to the exercise of its legitimate right and will not cause conflict of rights; or otherwise, it shall be deemed as causing conflict of rights.

Let's take a close look at the Invalidation Decision No. 36436 [13]. The collegial panel clarified the scope of the prior enterprise name right and then compared the corresponding parts of the prior enterprise name and the design patent in suit, finding that the prior enterprise name "Guilin Sanjin Pharmaceutical Co., Ltd." and the design patent in suit "China Sanjin Pharmaceutical Co., Ltd." are completely identical in terms of the trade name "Sanjin" and industry involved. In comprehensive consideration of the evidence submitted by the requestor, the collegial panel confirmed that the requestor's trade name "Guilin Sanjin" has higher distinctiveness in the medical industry and among the public, and enjoys certain popularity, whereas the patentee's products are labelled with "China Sanjin Pharmaceutical Co., Ltd." in a relatively large font size and "technically supported" in a smaller font size in the front view and the rear view, which may mislead consumers into believing that the patented product in suit is manufactured by "China Sanjin Pharmaceutical Co., Ltd." or the manufacturing thereof is technically supported thereby. Meanwhile, "China Sanjin Pharmaceutical Co., Ltd." is a bogus company, which indicates that the patentee is suspected of " free riding". The patentee could, by no means, prove that the same trade name on the design was used in good faith. The objective consequences are that it is hard for consumers to distinguish these two enterprises, thereby rendering the public confused about "Guilin Sanjin" and "China Sanjin". Hence, there is conflict of rights between the design patent in suit and the prior enterprise name.

## IV. Conclusion

On the whole, an enterprise name right, as a weak right *in rem*, faces more difficulties in right protection and safeguarding. However, strengthening intellectual property protection is an irresistible trend. The Anti-Unfair Competition Law also clarifies that the operator shall not "use, without authorization, another person's name with certain influence, such as the name (including abbreviations and trade names) of an enterprise", which is a good signal for enterprises with certain influence. The authors are of the view that if an enterprise has sufficient evidence proving that its enterprise name is influential in the territory of China and the design in suit uses its enterprise name, it can safeguard its right in the invalidation proceedings on the grounds of Article 23.3 of the China's Patent Law, which may be an effective route. At the same time, for most medium- and small-sized enterprises and individuals, they should never incorporate a well-known enterprise name in the design application in the absence of authorization from the well-known enterprise, in an effort to avoid the risk that the patent in suit is invalidated after grant. ■

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[1] Peng Shuxi and Liu Fengju (2001). Studies on issues relating to conflicts between trademarks and enterprise names. *Intellectual Property, 11*.

[2] Article 9 of Measures for the Implementation of Administration of Enterprise name Registration, which took effect on 1 July, 2004.

[3] See *ibid*, Article 3.

[4] Regulations of the People's Republic of China for Controlling the Registration of Enterprises as Legal Persons, revised on 2 March, 2019 according to the Decision of the State Council to Amend Some Administrative Regulations.

[5] Article 6 of the Judicial Interpretation No. 2/2007, which took effect on 1 February, 2007.


Front View | Rear View | Left View | Right View | Top View

Fig. 3 The drawings of the patent in suit involved in the Invalidation Decision No. 36436

[6] Wang Feimin and Li Yupeng (2003). Nature and legal protection of enterprise name right. *Enterprise Vitality, 2*.

[7] Article 2.4 of the China's Patent Law, which took effect on 1 October, 2009.

[8] Yin Xintian. Introduction to the Patent Law of China (2011 edition).

[9] The Anti-Unfair Competition Law of the People's Republic of China (1993 edition), which took effect on 1 December, 1993 and was abandoned on 1 January, 2018, wherein Article 5(3) relating to the enterprise name reads "an operator shall not conduct market transactions by the following unfair means to damage competitors: (3) using the name of another enterprise or individual without permission so that people would mistake its commodity for another's commodity." The revised edition (2017) took effect on 1 January, 2018 and was further revised on 23 April, 2019. The contents of Article 6(2) in the revised editions (2017) and (2019) of the Anti-Unfair Competition Law are the same.

10 While the Anti-Unfair Competition Law was being revised, the Judicial Interpretation No. 2/2007 was not revised at the same time. Thus, this article still refers to the Anti - Unfair Competition Law (1993).

[11] Anheuser-Busch InBev Company filed a request for invalidating the design patent No. 201730048939.X owned by UK Bollen Baiwei Beer Co.

[12] Chongqing Tianchu Tianyan Foodstuff Co., Ltd. sued Chengdu Tianchu Gourmet Powder Co., Ltd. for unfair competition.

[13] Guilin Sanjin Pharmaceutical Co., Ltd. requested to invalidate the design patent No.201630482177.X owned by Daying Taiji Medical Applicance Co., Ltd.

## 《世界知識產權指標》年度報告發佈:中國推動對知識產權需求的整體增長

2019 年 10 月 16 日,產權組織《世界知識產權指標》(WIPI)年度報告在日內瓦發佈。根據該報告,2018 年全球創新者共提交了 330 萬件專利申請,連續第九年實現增長,漲幅爲 5.2%。全球商標申請活動增長到 1,430 萬件,而工業品外觀設計的申請總量達 130 萬件。

**專利**

2018 年,中國國家知識產權局受理的專利申請數量最多,達到創紀録的 154 萬件,佔全球總量的 46.4%,其數量相當於排名第二至第十一位的主管局申請量之和。排在中國局之後的是美國(597,141 件)、日本(313,567 件)、大韓民國(209,992 件)和歐洲專利局(歐專局;174,397 件)。這五大主管局受理的申請數量共佔世界總量的 85.3%。

**商標**

2018 年全球約有 1,090 萬件商標申請,涵蓋了 1,430 萬個類別。申請中指定的類數在 2018 年增長了 15.5%,連續九年實現增長。

中國國家知識產權局的申請活動數量最多,涵蓋了 740 萬類;其次是美國(640,181 類)、日本(512,156 類)、歐洲聯盟(EUIPO;392,925 類)的知識產權局和伊朗伊斯蘭共和國知識產權局(384,338 類)。

**工業品外觀設計**

2018 年,全球共提交了約 100 萬件工業品外觀設計申請,其中包含 130 萬項外觀設計,年度同比增長了 5.7%。2018 年,中國國家知識產權局受理的申請中包含了 708,799 項外觀設計,佔世界總量的 54%。其次是歐盟知識產權局(108,174 項)和大韓民國(68,054 項)、美國(47,137 項)和德國(44,460 項)的知識產權局。

**植物品種**

中國主管局在 2018 年受理 5,760 件植物品種申請,較 2017 年增長了 29%。目前中國佔全球提交的植物品種申請量的四分之一以上。排在中國之後的是歐洲聯盟共同體植物品種局(CPVO;3,554 件)以及美國(1,609 件)、烏克蘭(1,575 件)和日本(880 件)的主管局。

**地理標誌**

2018 年,全球共有約 65,900 個有效的地理標誌。德國(15,566)報告的有效地理標誌數量最多,其次是中國(7,247)、匈牙利(6,683)和捷克共和國(6,285)。

**出版業**

14 個國家出版業的貿易和教育部門共創造收入 425 億美元。美國(233 億美元)報告的淨收入最高,其次是德國(61 億美元)、英國(54 億美元)和法國(30 億美元)。

(來源:WIPO 中國)