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Q245

Taking unfair advantage of trademarks: parasitism and free riding

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I. Current law and practice

1) Do the laws of your jurisdiction provide for protection against:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines (see paragraphs 26) and 27) above); and/or

yes

Please comment:

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

yes

Please comment:

Answer:

Such as well-known trademark protection including protection against dilution although dilution is not specifically prescribed in the law.

For the questions below, if b. applies either separately or in addition to a., please make that clear in any relevant answer.

2) What is this protection called, and is this a definition developed in case law or found in a statutory provision? If such protection is characterised as a form of protection against dilution, please state this and provide any explanation as to the basis for such characterisation.

Answer:

There are a few protections available, including (1) the protection of an unregistered trademark right, (2) the protection of a registered exclusive trademark right, (3) unfair competition. They are defined in statutory provisions.

For dilution, there is no specific provision in the law regarding it so the judge will use other relevant statutory provisions when they want to protect a well-known trademark against dilution.

- 3) If such protection is available, what is the basis for the protection, e.g. trademark law (distinguishing between unregistered and registered trademarks where relevant), unfair competition, consumer protection law, common law? If multiple causes of action are available, is there an interaction between them, and if so, what?

Answer:

The main basis of the protection is the Trademark Law and Unfair Competition Law. When causes of action are available under both Trademark Law and Unfair Competition Law, the court normally rules only based on the Trademark Law.

- 4) What are the elements of any available cause of action, e.g. the requirement for the trademark to be registered, reputation in the trademark, establishment of a link or association with the trademark, bad faith, change in the economic behaviour of consumers, actual advantage, potential future advantage? How are they proven?

Answer:

- Cause of action 1 (protection of unregistered trademarks):

Legal ground:

Trademark Law of China

Article 32 An application for the registration of a trademark shall not create any prejudice to the prior right of another person, nor unfair means be used to pre-emptively register the trademark of some reputation another person has used.

Requirements:

- A. prior use; the use should be commercial use in China mainland, i.e., use on the commodity, packaging, containers of the commodity, contracts, advertisement, exhibition or other business activities where the origin of the goods may be indicated by the trademark.
- B. with certain reputation; normally, such reputation should have been formed before the filing date of the free-rider's trademark application and it may be proved by providing the evidence to show the time length of use, the geographic coverage of use, the revenue, advertisement of the trademark, etc.
- C. Unfair means, i.e., bad faith. In many cases, it will be sufficient if the right owner may prove the free-rider knew or should know the existence of the concerned trademark but still filed the application.
- D. Limited to similar goods/services
- E. Existence of confusion/likelihood of causing confusion

- Cause of action 2 (infringement of a registered trademark): If it is not for a well-known trademark, there is no difference from a normal trademark infringement case in terms of legal grounds and basic requirements; however, the high reputation of the registered trademark (although not as high as a well-known trademark) may help to get a decision in favor of the registered trademark owner.

Legal ground: Article 57 of the Trademark Law of China

Article 57. Any of the following constitutes an infringement of the exclusive right to use a registered trademark:

- 1) Using a trademark that is identical with a registered trademark in connection with the same goods without the authorization of the owner of the registered trademark;*
- 2) Using a trademark that is similar to a registered trademark in connection with the same goods, or that is identical with or similar to a registered trademark in connection with the same or similar goods, without the authorization of the owner of the registered trademark, which may cause public confusion;*

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Requirements:

- A. A registered trademark
- B. Identical/similar marks, identical/similar goods/services
- C. Confusion or likelihood of confusion (if identical marks on identical goods, no need to prove confusion or likelihood of confusion)

- Cause of action 3 (unfair competition)

Legal ground:

Article 58 of the Trademark Law of China

Where a party uses a registered trademark or an unregistered well-known trademark as a trade name and confuses the public, if it constitutes unfair competition, the infringer shall be dealt with in accordance with the Unfair Competition Law of the People's Republic of China

Article 5 of Anti-unfair Competition Law

Managers should not use the following unfair methods in their business transactions which can damage other competitors:

-to feign the others' registered trade mark;

-to use the specific name, package, decoration of the famous or noted commodities, or use a similar name, package, decoration of the famous or noted commodities, which may confuse consumers distinguishing the commodities to the famous or noted commodities;

-to use the name of other enterprise or personal name and make people confuse this commodity to the other's commodity;

-to feign or pretend to be the certificate of attestation, mark of fame and high qualification, to feign the certificate of originally produced place of the commodities, which make others

-to misunderstand the qualification of the commodities because of the false certificates.

Requirements:

- A. A registered trademark/earlier used unregistered trademark
- B. Normally it should have certain reputation.
- C. Existence of confusion or likelihood of confusion
- D. Normally limited to similar goods/services

5) Further to question 4):

a) what degree of reputation, if any, in the trademark is required?

Answer:

For the protection of an unregistered trademark, i.e., to stop bad faith pre-emptive registration of another person's trademark that has been in use and has acquired certain reputation, certain reputation is required. There is no specific requirement on the degree of reputation. Normally the use in some geographical areas for some period of time which leads to the establishment of a good will is sufficient. For the protection of a registered trademark, reputation is not a compulsory condition but a bonus.

b) who bears the burden of proof regarding the requirements?

Answer:

The trademark owner or an interested party, who claims the right, shall bear the burden of proof.

c) must the use at issue cause confusion?

yes

If so, what degree of confusion is required, e.g. actual confusion, a likelihood of confusion and/or initial interest confusion (i.e. initial confusion which has been resolved at the time of purchase)?:

Answer:

Actual confusion, likelihood of confusion and initial interest confusion are all fine.

d) can the protection be invoked in case of both similar and dissimilar goods/services?

no

Please comment:

Answer:

Unless it is a well-known trademark, the protection can only be used for similar goods/services. However, it is understood that this questionnaire does not cover the protection of well-known trademarks; therefore, the protections concerned herein only apply to similar goods/services, but not limited to the same class or subclass.

e) are there any other factors, even if not a separate requirement, that may be relevant, and if so, what are they?

Answer:

None.

6) Are there any defences against and/or limitations to the protection?

yes

If so, what are they, and what are the elements of such defences/limitations?:

Answer:

There is defence against or limitations to the protection, including prior use defence and reasonable use defence (descriptive use and indication use).

Conditions for prior use defence: (1) earlier use; (2) certain reputation; (3) continuous use within the original scope; (4) if requested by the registered TM owner, proper indication shall be added to distinguish.

Conditions for reasonable use defence: (1). Good faith; (2). Not use it as a trademark on its own goods/services; (3). The purpose of using the registered trademark is to describe or to indicate.

7) Who bears the burden of proof in relation to any defences and/or limitations? In this context, please also consider the relationship with the element of "unfairness". For example, is it a defence that the use is with "due cause" (see paragraph 31 of the introduction) above and footnote 2) of the introduction? If so, can such use ever be "unfair"? Or is this just a matter of a shifted burden of proof?

Answer:

The defendant ("free rider") shall bear the burden of proof. "due cause" can be a defence but the use under "due cause" cannot be "unfair".

8) If a defence exists or only limited protection is available, what rights does that give the free rider? For example, may the free rider simply use the trademark or may the third party obtain a separate trademark registration in respect of the goods and/or services in respect of which the free rider is using the trademark?

Answer:

In case of prior use defence, the prior user may continue to use the concerned trademark in the original scope but if requested by the registered TM owner, proper indication shall be added to distinguish.

In case of reasonable use defence, the reasonable user may direct use the trademark as long as it is in a reasonable way.

9) Can the protection be invoked in:

a) court in civil proceedings;

yes
Please comment:

b) court in other proceedings;
yes
if so what other proceedings (e.g. criminal proceedings):
<i>Answer:</i>
Criminal litigation and administrative litigation.

c) opposition proceedings;
yes
Please comment:

d) any other?
yes
if so what, proceedings?:
<i>Answer:</i>
Trademark invalidation procedure.

10)	If the protection can be invoked in multiple proceedings, are there different requirements for different proceedings? If so, please state the requirements.
	<p><i>Answer:</i></p> <p>There is difference. The criminal case has higher requirement. According to Article 213 of the Criminal Law of China, the criminal punishment only applies when someone uses a trademark identical with another person's registered trademark on the same kind of goods without permission from the owner of the registered trademark and that the circumstances are serious. The following situation is deemed as "serious circumstance":</p> <p>(1) the illegal revenue is over RMB 50,000 or the illegal profit is over RMB 30,000; or</p> <p>(2) counterfeit more than two registered trademarks with an illegal revenue of over RMB 30,000 or an illegal profit of over RMB 20,000; or</p> <p>(3) other serious circumstances.</p> <p>Herein an identical trademark means being completely the same to the registered trademark or almost of no difference in visual view and sufficiently misleading the consumers.</p>

II Policy considerations and proposals for improvements of the current law

11)	Should there be protection against:
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a)	the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
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yes
Why?:

Please see the answer in question b.

b) use that is similar but outside the scope of the definition in these Working Guidelines?

yes
Why?:

Answer:

It is because good protection of trademark right will encourage the fair competition, will benefit to draw clearer the boundaries of the trade signs, and will be effective to stop bad faith free-riding of other's famous trademarks. It will create a healthy legal environment for the creation and development of famous brands and will help breed high value trademarks and improve the comprehensive competitive power of an enterprise, which is needed in the course of China changing from a big manufacture country into a brand-strong and creative country.

12) Is the basis for protection or the cause of action relevant?

yes
Why?:

Answer:

The real value of a trademark is in actual use. It is one of the principles in the Trademark Law to protect the goodwill and the reputation acquired by a trademark through use.

13) Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above?

yes
Why?:

Answer:

Comprehensive protection can be achieved only when a trademark may be respected and protected at all stages, including right acquiring and enforcement.

14) How can your current law as it applies to the taking of unfair advantage of trademarks and/or the interpretation thereof (in particular, in case law) be improved?

Answer: the following aspects may be improved:

1. To reduce the threshold in reputation requirement for protection of an unregistered trademark;
2. To introduce the concept and specific provisions of protection against dilution of a well-known trademark into laws
3. The criteria in determining whether the goods/services are similar to each other may be lowered in opposition and invalidation proceedings. It should not be limited by the Goods/Services Classification and if two goods or services are associated to each other, they may be determined as similar goods/services as well even though they do not belong to the same class or subclass.

III Proposals for harmonisation

15)	Is harmonisation in this area desirable?
	<u>yes</u>
	Please comment:

If yes, please respond to the following questions without regard to your national or regional laws. Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

16)	If your answer to question 11) is no in respect of a. and/or b., is it your view that no such protection should be available anywhere?
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17)	Should there be harmonisation of the definition of:
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a)	the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
	<u>yes</u>
	If so, please provide any definition you consider to be appropriate.:
	Please see the answer in question b.

b)	use that you consider similar but outside the scope of the definition in these Working Guidelines?
	<u>yes</u>
	If so, please provide any definition you consider to be appropriate.:
	<i>Answer:</i>
	Use of another party's trademark with certain reputation or similar ones in order to gain unfair benefits without legitimate grounds

18)	What should the basis for protection/cause(s) of action be?
	<i>Answer:</i>
	The goodwill of a trademark acquired through use.

19)	What should the requirements for protection be? In your answer, please address at least the following, in addition to any other relevant factors: what level of reputation, if any, in the trademark should be required, and who should bear the burden of proof?
	<i>Answer:</i>
	The requirements for the protection should include:
	(1) The trademark to protect should be earlier used or earlier registered than the mark of the "free-rider's";

(2) The trademark to protect should have acquired certain reputation by the time the accused party filed or started to use its mark;

(3) There is no legitimate defence available to the "free-rider". If any, the "free-rider" should prove it.

20) What defences against and/or limitations to the protection should be available? Please state the proposed requirements for any defence/limitation, and the effect of any defence/limitation.

Answer:

Prior use defence and reasonable use defence (descriptive use and indication use) should be available.

Requirements for prior use defence: (1) earlier use; (2) certain reputation

Effect of prior use defence: (a) the prior user may continually use within the original scope; (b) if requested by the registered TM owner, proper indication shall be added to distinguish.

Requirements for reasonable use defence: (1). Good faith; (2). Not use it as a trademark on its own goods/services; (3). The purpose of using the registered trademark is to describe or to indicate.

Effect of reasonable use defence: the reasonable user may direct use the trademark as long as it is in a reasonable way.

21) Who should bear the burden of proof in respect of any defences and/or limitations?

Answer:

The "free-rider".

22) In what type(s) of proceedings should it be possible to invoke the protection?

Answer:

The protection should be possible to be invoked at various stages, including the trademark prosecution, trademark challenge and enforcement, in the proceedings such as opposition, invalidation and their corresponding administrative litigation, civil litigation and criminal litigation.

Summary

Abstract:

Taking unfair advantage of others' trademarks with reputation, i.e., parasitism and free-riding, is harmful to the society and will be detrimental to the legal interests of the owner of the trademark and the consumers. It will also disturb the market order and will damage the fair competition environment. The current laws and regulations of China provide certain level of protection against free-riding in the proceedings of trademark registration, trademark opposition/invalidation, and trademark enforcement.

The main legal basis for it is Chinese Trademark Law and Chinese Unfair Competition Law. However, it has been seen in the current legal practice in China that those concerned laws are far from being perfect and do not meet the needs. They should be improved and be more certain. In view of the judicial policy in China nowadays, it is believed that the relevant authorities will strengthen the protection of trademark right and be tougher in stopping free-riding activities, in order to encourage competition and to create a healthy market.

Please comment on any additional issues concerning the taking advantage of trademarks in the sense of parasitism and free riding you consider relevant to this Working Question.

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