



# NEWSLETTER

LIFANG & PARTNERS 立方观评

## Legitimate Source Defense in China's Patent Litigation

By YU Haidong Lifang & Partners

### I. Concept and connotation of legitimate source defense

In respect of legitimate source defense in patent infringement litigation, provisions are made in Article 70 of China's Patent Law amended in 2008: "In terms of patent-infringing products used, offered to sell or sold for the purpose of production and operation (not aware that the said products were manufactured and sold without the authorization of the patent owner), no compensation liability will be undertaken if the legitimate source of the said products can be proved."

In a patent infringement litigation, the patent owner usually takes vendors that sell patent-infringing products within the region of litigation as defendants to sue en masse in order to lodge a case against the actual defendant to a court favorable to the patent owner, so as to realize the purpose of suing the actual defendant not covered in the region of litigation in the same region. However, the said

No.43  
2017.02

- ✧ Legitimate Source Defense in China's Patent Litigation
- ✧ Protection of Well-Known Trademarks in the Cases of Trademark Right Authorization and Determination



vendors sued en masse may defend and request exemption of compensation liability by claiming for reasonable source defense.

## **II. Judicial application of legitimate source defense in China**

### **(I) Specific actual subjects that may claim for legitimate source defense: users, offerers for sale and sellers**

The legitimate source defense system is deemed as protection for the "bona fide third parties". However, according to the provisions of existing Patent Law, the "third parties" are only limited to the users, offerers for sale and sellers. The main reason lies in the fact that offerers for sale, sellers and users are located at the end of the product circulation, different from product manufacturers. Due to their actual attributes, they needn't to have the cognitive ability about the technical solutions used in the patent-infringing products. Therefore, it's obviously unfair to require them to perform the obligations of self-inspection on whether any patent technology has been used in the products. The regulations that bona fide users, offerers for sale and sellers shall not undertake any compensation liability are favorable for circulation of commodities and protection of the lawful interests of sellers, offerers for sale and users.

### **(II) Specific infringement acts that may claim for legitimate source defense: use, offering for sale and sale**

In respect of what infringement acts charged in patent infringement litigations may claim for reasonable source defense, they're defined in Article 70 of the Patent Law as acts of "use, offering for sale or sale" of "patent-infringing products".

First, particular infringement acts that claim for reasonable source defense shall be such acts as use, offering for sale or sale of "patent-infringing products". Second, particular infringement acts that claim for reasonable source defense shall be such acts of "use, offering for sale or sale" of "patent-infringing products". The infringing products manufactured by the defendants in many patent infringement litigations do not immediately constitute overall infringement of the patents in dispute; however, a part or any components of the alleged infringing products constitute infringement of the patents in dispute. However, the said part or components were not produced by the defendants, but produced and sold to the defendant by third parties, and the

defendants only assembled the immediate infringing part or components. Then, how to determine the defendants' acts of assembly of infringing products, and whether defendants may claim for legitimate source defense. In this regard, it's provided in the Interpretation of the Supreme People's Court on Some Issues about Applicable Laws for Proceedings of Patent Dispute Cases that any act of assembling products infringing any invention or utility-model patent is actually an act of use defined in the Patent Law; and any act of assembly and sale of products infringing design patents is actually a sales activity defined in the Patent Law. Therefore, the defendant in patent infringement litigation can still claim for legitimate source defense in light of the actual situation even though the alleged act is manufacture of infringing products.

In the event of of "offering for sale" and "sale", relevant judicial interpretations also provided explicit definitions, embodied in: the Regulations of the Supreme People's Court on Some Issues about Applicable Laws for Proceedings of Patent Dispute Cases defines "offering for sale" as presenting the intention of selling goods by advertising, displaying in shop windows or displaying at exhibitions; the Interpretation of the Supreme People's Court on Some Issues about Applicable Laws for Proceedings of Patent Dispute Cases (II) defines the legitimate conclusion of product sales contract as "sale" described in the patent law, namely, it's not deemed as "sale" if the sales contract isn't concluded lawfully.

### **(III) Conditions for the justification of legitimate source defense: the product source is legitimate**

According to Article 70 of the Patent Law, the precondition for exemption of compensation liability for use, offering for sale or sale of any patent-infringing products for the purpose of production and operation not aware of the fact that the products were manufactured and sold without the authorization of the patent owner: able to prove the legitimate source of the products.

Proving the legitimate source is a pre-condition for the justification of legitimate source defense. As defined in the Interpretation of the Supreme People's Court on Some Issues about Applicable Laws for Proceedings of Patent Dispute Cases (II): legitimate source refers to obtaining the products by legitimate sales channels, typical sales contracts and other normal commercial approaches. In addition, it's also set off in the judicial interpretation: users, offerers for sale or sellers shall provide

relevant evidence in conformity of transaction practices. In respect of relevant evidence, relevant vouchers shall be provided in line with regulations of the Guidelines for Judgment of Patent Infringement promulgated by Beijing High People's Court.

In terms of proving legitimate source, it not only needs to prove the patent-infringing products under use, offering for sale or sale are acquired from others, rather than manufactured by itself; but also prove the patent-infringing products are acquired from others through legitimate approaches or channels, e.g. acquired from a third party with license for legitimate production at a reasonable market price. Namely, it not only needs to prove the source of products, but also needs to prove the legitimacy of the source, and the latter is the key to legitimate source defense. If the defendant in a patent infringement litigation can only prove that the alleged infringing products were acquired from others but cannot prove the legitimacy of the acquiring act, or the legitimacy of the acquiring act is proved but awarded illegitimate by trail, e.g. the basis of legitimate source defense is invalid if the products were obtained by cheating or bought from any street pedlar without business license.

In respect of the basis of legitimate source, the defendant claiming for legitimate source defense usually provides relevant evidence such as sales contract, invoice, receipt, product promotion brochures and other evidences; however, few evidences are adopted by the court at last. The main reasons include: first, the evidence provided by the defendant is not intact and cannot form a complete chain of evidence due to irregular transactions on Chinese market and lack of a unified and standard voucher system, e.g. transaction subjects are usually relatively casual in ordering and delivery form for the purpose of saving transaction costs, tax evasion and many other factors, and as a result, transaction voucher cannot be formed or transaction voucher formulated can hardly meet the legal requirement of adoption; second, relevant evidence usually carries the name, data, price and information of commodities, but only the name, data, price and other information of products, but lacks detailed records of technical features of the transacted goods and the records of warehouse entry/exit, namely, relevant evidence fails to form one-to-one correspondence with the alleged infringing products, and the defendant fails to exclusively prove the alleged infringing products are the goods marked on the

evidence provided; third, in the event that the supplier as a third-party doesn't participate in the litigation, it's difficult to prove the authenticity and probative value of such commodity transaction evidence provided by the defendant as sales contract, delivery or payment voucher, etc. Therefore, the defendant claiming for legitimate source defense in a particular case is advised to provide full evidence which can form a complete chain; as for any evidence or transaction act involving any third party (e.g. supplier), the defendant may apply to the court to notify the third party to participate in the legitimation in the identity of a third party or witness, so as to prove the probative value of relevant evidence.

#### **(IV) Conditions for the justification of legitimate source defense: proving subjective "unawareness"**

It's known by analysis of Article 70 of the Patent Law that another condition for the justification of reasonable source defense is unawareness of the fact that the patent-infringing products were manufactured and sold without the authorization of the patent owner. It's a subjective requirements on legitimate source defense.

In respect of how to confirm the subjective "unawareness" of the alleged infringer, it's set forth in the Interpretation of the Supreme People's Court on Some Issues about Applicable Laws for Proceedings of Patent Dispute Cases (II): "'Unawareness' refers to actual unawareness and 'shall not know'". In the judicial review on the design patent dispute between the re-applicant Guangdong Archie Hardware Co., Ltd. and the respondents Yang Jianzhong and Lu Bingxian who were accused of design infringement [(2013) MTZ No. 187], the Supreme People's Court held that legitimate source defense shall simultaneously meet two conditions, i.e. the user and seller have no subjective fault and the alleged infringing products have a legitimate source.

In ordinary circumstances, the alleged infringer may be directly confirmed as the subjectively "unawareness" if only the infringer can provide the "legitimate source" and be approved by law if there isn't any evidence to the contrary. However, availability of legitimate source evidence shall not be directly taken as subjective "unawareness". In the practice, many patent owners usually warn the alleged infringers by sending an infringement warning letter before they institute formal proceedings against the infringers, and they will institute formal proceedings if the warning fails. In patent infringement litigation, the infringer may not necessarily have

subjective "awareness" though the patent owner is able to prove that an infringement warning letter has been sent to the alleged infringer. Where the contents of infringement warning letter sent by the patent owner are sufficient and accurate and specify the facts of infringement of the alleged infringing products, and meanwhile the letter is attached with convincing evidence, e.g. written court verdicts for other relevant cases, infringement analysis opinions issued by relevant qualified agencies, etc. which are sufficient to cause the alleged infringer to believe that the alleged infringing products may possibly involve patent infringement, the patent owner's act of sending an infringement warning letter may cause the alleged infringer's subjective "unawareness" to transform to "awareness".

#### **(V) Legal consequence of legitimate source defense**

According to Article 70 of the Patent Law, the defendant may undertake no compensation liability where the legitimate source defense is justified. However, if the patent owner requests the court to order the defendant to cease the infringement acts, the court shall provide appropriate support. In practice, defendants that conduct legitimate source defense are usually unaware of the fact that the products under use, offering for sale or sale are infringing products, and they have paid for the infringing products, i.e. their acts of use, offering for sale or sale are usually "bona fide". Therefore, it's usually unfair to order them to stop use, offering for sale or sale. Accordingly, Interpretation of the Supreme People's Court on Some Issues about Applicable Laws for Proceedings of Patent Dispute Cases (II) set forth the follows in order to maintain transaction security and protect the lawful rights and interests of bona fide third-parties: if any user of alleged infringing products legally proves he/she has properly paid the product, the court will not support the patent owner's request for ceasing the use. However, we noted that the judicial interpretation only limits the exception to "use", but fails to set "offering for sale" and "sale" as exceptions. In our opinion, the reason behind it shall be such fact that the latter two circumstances are infringement acts which may cause direct impact on the market or potential market of the patent owner, and substantial damages will be incurred to the interests and rights of the patent owner if the latter two acts are also set as exceptions.

## **Protection of Well-Known Trademarks in the Cases of Trademark Right Authorization and Determination**

### **-Analysis of the administrative dispute on the reexamination of HEINZ Company's opposition against the Trademark Review and Adjudication Board and Guangzhou DM Advertising Co., Ltd.**

By Xiong Lei & Zhang Lei

HEINZ Company raised an objection to the trademark office against Guangzhou DM Advertising Co., Ltd. in relation to the opposed trademark "PLAYGROUP HEINZ". Beijing Hight People's Court made a final judgment on December 19, 2016 by the administrative process of opposition review and the legal proceedings of first instance and second instance. According to the judgment, Heinz Company's trademarks "亨氏" and "Heinz" shall constitute well-known trademarks, and the appeal filed by Guangzhou DM Advertising Co., Ltd. shall be rejected, and Heinz Company shall win the lawsuit. This Firm has participated in the first instance and second instance on behalf of Heinz Company, and hereby provides an analysis on well-known trademark protection in trademark right authorization and determination based on administrative dispute on the reexamination of HEINZ Company's opposition against the Trademark Review and Adjudication Board and Guangzhou DM Advertising Co., Ltd. (hereinafter referred to "this Lawsuit").

#### **Brief introduction to this lawsuit**

##### **1. Basic information of the trademarks**

On July 13, 2010, Guangzhou DM Advertising Co., Ltd. (hereinafter referred to as "DM Company") applied to the trademark office for registration of the trademark "PLAYGROUP HEINZ" on Class 41 schooling (education) and other services, application No. 8475530 (hereinafter referred to as "Opposed Trademark").

No. 1277791 trademark "Heinz" (hereinafter referred to as "Reference Mark 1") and No. 1277794 trademark "亨氏" (hereinafter referred to as "Reference Mark 2") were registered by HEINZ Company on March 20, 1998, specified to be used on Class 5 baby foods and other goods.



## **2. Opposition and administrative procedure of opposition review**

HEINZ Company filed an opposition against the Opposed Trademarks within the opposition period, and the trademark office approved the registration of the Opposed Trademark based on examination. HEINZ Company was dissatisfied with the result, and filed an application to the Trademark Review and Adjudication Board for reexamination. On March 13, 2014, the Trademark Review and Adjudication Board issued SPZ [2014] No. 8475530 ruling about reexamination of No. 8475530 “PLAYGROUP HEINZ” Trademark Dispute (hereinafter referred to as “the Accused Ruling”), which determined that the evidence provided by HEINZ Company is sufficient to prove the trademarks “亨氏” and “Heinz” have relatively high popularity in “baby food” industry, but haven’t reached the well-known degree. As the “schooling (education)” and other services specified to use the Opposed Trademark and the “baby food” goods which got renowned by Reference Mark 1 and Reference Mark 2 belong to different industries and are quite different in purpose, user, sales channel, sales habit, etc, and relevant public usually don’t think there is any specific relation between the two categories of goods and services in actual use. The registration and use of the Opposed Trademarks don’t mislead the public nor cause damage to the interests of the applicant, and thus will not constitute the circumstances provided in Paraphrase 2 of Article 13 in the Trademark Law (2001). The Trademark Review and Adjudication Board approved registration of the opposed trademarks.

## **3. First-instance proceedings**

HEINZ Company filed an administrative litigation to Beijing No. 1 Intermediate People’s Court due to dissatisfaction with the above reexamination decision, and supplemented an effective judgment that confirms the Reference Marks are well-known trademarks to serve as supplementary evidence. Based on trial, Beijing No. 1 Intermediate People’s Court holds: as the evidence in this Case can prove the Reference Marks of the complainant (HEINZ Company) have been widely known by relevant public, and the effective judgment ruled it as widely known, thus it shall be determined that the Reference Marks constitute well-known trademarks. Therefore, the Trademark Review and Adjudication Board’s determination that relevant Reference Marks have relatively high popularity in “baby food” industry but haven’t reached well-known degree is incorrect. In this circumstance, the Trademark Review



and Adjudication Board is requested to re-affirm whether the opposed trademarks constitute such circumstances of imitating or copying well-known trademarks registered by others in China as described in Paraphrase 2 of Article 13 in the Trademark Law 2001, and withdraw the Accused Ruling made by the Board.

#### **4. Second-instance proceedings**

DM Company refused to accept the first-instance judgment and filed an appeal to Beijing Higher People's Court. In the view of Beijing Higher People's Court: if it's sufficient to make the public believe there is a considerable degree of correlation between the opposed trademarks and well-known trademarks, such circumstances of weakening the significance and derogating the market reputation of well-known trademarks shall be subject to Paragraph 2 of Article 13 of the Trademark Law, i.e. "Misleading the public and causing possible damages to the interests of the well-known trademark owners". Considering the application of Reference Mark 1 and Reference Mark 2 on "baby food", sales volume, publicity, sales territory, records of protection of certified well-known trademarks in other cases and other evidences, Reference Marks 1 and 2 had already constituted well-known trademarks in "baby food" industry before the registration date of the Opposed Trademarks. The Opposed Trademarks entirely include Reference Mark 1 and Reference Mark 2, and constitute imitation of Reference Mark 1 and Reference Mark 2. Schooling (education) and other services specified to use the opposed trademarks have certain correlation with "baby food" well-known for Reference Mark 1 and Reference Mark 2 in respect of consumer groups and other aspects, and may cause relevant public to mistake that the service source of the Opposed Trademarks originated in the source of goods of the Reference Marks, and subsequently reduce the extent of correlation between Reference Trade Marks 1 and 2 and "baby food". As a result, the consumers are misled and the benefits of HEINZ Company may be damaged. The application for registration of the Opposed Trademarks has constituted the circumstances prescribed in Paragraph 2 of Article 13 in the Trademark Law 2001. It's not inappropriate for the first-instance court to correct the wrong award of the Trademark Review and Adjudication Board, and Beijing Higher People's Court made (2016) JXZ No. 5001 administrative judgment on December 19, 2016, and rejected the appeal of DM Company and affirmed the original judgment.

## Legal Analysis

The Trademark Law amended on August 30, 2013 came into force on May 1, 2014. As the Accused Ruling drops within the implementation period of the Trademark Law 2001, this Case shall be subject to trial in accordance with the Trademark Law 2001. According to Paragraph of Article 13 of the Trademark Law 2001, trademarks that are applied for different or non-similar goods copy, imitate or translate other well-known trademarks registered in China mislead the public and cause damages to the benefits of the registered trademark owners will not be allowed to register and use.

According to the statistics of the Trademark Review and Adjudication Board, unsuccessful suits about well-known trademark affirmed by the Trademark Review and Adjudication Board accounted for a considerable percentage in 2015. The divergence between the Trademark Review and Adjudication Board and courts mainly focuses on the standard for properly alleviating the burden of persuasion in well-known trademark certification of trademarks which have ever been covered under well-known trademark protection, and there is still divergence between the Trademark Review and Adjudication Board and Beijing Higher People's Court in respect of how to carry out non-competing protection of well-known trademarks by anti-dilution theory.[1] The aforesaid divergences are reflected in this Lawsuit.

### **1. The court held a very tolerant attitude to the new evidence supplemented in the administrative proceedings**

In early times, it was generally believed that trademark right authorization and determination cases are judicial reviews on sued rulings. According to the basic principle of administrative litigations, the evidence that the litigants failed to provide during the review process but provided for the first time during the litigation process shall not be adopted. Many cases don't carry out cross-examination on nor adopt the said evidence on the grounds that the newly submitted evidence isn't the basis of accused rulings.[2]

In order to facilitate the unification of case judgment standard, Beijing Higher People's Court published Several Legal Issues that Need to be Considered in Current Intellectual Property Trials in May 2016, which provided the following regulations on adoption of new evidences in administrative litigations: equitable considerations shall be taken on substantive justice and procedural justice during administrative

litigations. As for evidences that may potentially affect the substantial judgment results, significantly affect the determination of litigants' rights and cause litigants to lose the opportunities for obtaining other remedies if the said evidences are not considered, right losing of evidence shall be determined prudently. Any adopted new evidence not damaging the public interests may be considered in accordance with specific circumstances.

In the first-instance proceedings of this Case, HEINZ Company made supplements to (2011) SZFMSCZ No. 262 Paper of Civil Verdict issued by Guangzhou Intermediate People's Court on May 22, 2014 and (2014) GHZSZ No. 1537 Administrative Verdict issued by Beijing Higher People's Court on December 17, 2014, both of which were not submitted during the review procedure and belong to evidences submitted for the first time during legal proceedings. As the two verdicts were issued after March 13, 2014, the date of the Accused Ruling, and are sufficient to prove that the Reference Marks in this Case were under well-known trademark protection in previous effective court verdict, and are evidences with significance to the right determination. Beijing No. 1 Intermediate People's Court adopted the two new evidences and based thereon awarded the cancellation of the Accused Ruling made by the Trademark Review and Adjudication Board, and determined that the court acceptance fees of the first-instance proceedings shall be borne by the Trademark Review and Adjudication Board.

Beijing Higher People's Court also adopted the two new evidences in second-instance proceedings, but noted: as the supplementary evidence submitted by HEINZ Company during the first-instance proceedings and the determination that Reference Mark 1 and Reference Mark 2 constitute well-known trademarks were taken into account in this Case, the court acceptance fees of the first-instance proceedings shall be borne by HEINZ Company. Beijing Higher People's Court overruled the former determination and awarded HEINZ Company to undertake the litigation costs of the first instance according to the common practice of courts, namely, the courts usually award the complainants to undertake litigation costs as the defeat of the Trademark Review and Adjudication Board are caused by the courts' adoption of new evidences.

**2. If the opposed trademarks have been determined as well-known trademarks by any court before the date of application, the litigants' burden of proof for the well-known trademarks can be alleviated in this Case.**

It's provided in Article 7 of the Interpretation of the Supreme People's Court on Several Issues about Trials of Civil Dispute Cases Involving Well-known Trademark Protection: in the event that any trademark is determined as a well-known trademark by the People's Court or the Department of Industry and Commerce Administration under the State Council prior to the occurrence of infringement of accused trademark or unfair competition and the defendant oppose to the fact that the trademark is a well-known trademark, the People's Court shall recognize the said trademark as a well-known trademark. If the defendant raises any objection, the complainant shall remain responsible for taking the burden of proof for the fact that the trademark is well-known.

It shall be prudently handled if there is a relatively big duration between the time when the trademark is determined as a well-known trademark and the time node (the date of application for registration of the Opposed Trademark) when this Case needs to be judged. The claiming side shall submit the evidence capable to prove the trademark has been used and remained relatively high popularity before the time node.[3] For example, in No. 7436032 trademark opposition case about "OPUSHENG and Diagrams", Beijing Higher People's Court held: the above evidence is enough to prove the Reference Marks were in continuous use and were widely publicized during the period from 2007 when the Reference Marks were identified as well-known trademarks to June 1, 2009, the date of application for registration of the opposed trademarks. Therefore, the popularity and business reputation of the Reference Marks were increasing positively and continuously during this period. The evidence about publicity and use of the Reference Marks during the above period and the fact that the Reference Marks were identified as well-known trademarks (SPZ [2007] No. 6570 Ruling) are sufficient to prove the Reference Marks constituted well-known trademarks of lamps and fluorescent tubes as of June 1, 2009, the date of application for registration of the opposed trademarks.[4]

(2011) SZFMSCZ No. 262 civil judgment made by Guangzhou Intermediate People's Court on May 22, 2014 determined that trademarks "亨氏" and "Heinz" had been well-known on Class 5 baby-food goods before 2010.

(2014) GXZZ No. 1537 administrative judgment made by Beijing Higher People's Court on December 17, 2014 determined: the trademark “亨氏” had been well-known on Class 5 “baby foods” and other goods before February 14, 2006.

In the proceedings of this Case, the application date of the opposed trademarks is July 13, 2010, and HEINZ Company needs to prove the trademarks “亨氏” and “Heinz” had been well-known before July 13, 2010. As (2011) SZFMSCZ No. 262 civil judgment determined “亨氏” and “Heinz” had become well-known before 2011 which is identical with the time node July 13, 2010, the determination of well-known trademarks of (2011) SZFMSCZ No. 262 civil judgment may directly act as the proof for identification of well-known trademarks in this Case.

(2014) GXZZ No. 1537 administrative judgment made by Beijing Higher People's Court on December 17, 2014 determined: the trademark “亨氏” had been well-known on Class 5 “baby foods” and other goods before February 14, 2006, and there is a relatively long duration between December 17, 2014 and the time node of July 13, 2010 in this Case. Whereas, in this Case, HEINZ Company submitted evidence to prove the trademark “HEINZ” was in continuous use and widely publicized during the period from February 14, 2006 to July 13, 2010. Therefore, the popularity and business reputation of the trademark “HEINZ” was increasing positively and continuously during this period. In this Case, Beijing Higher People's Court may combine the evidence proving the publicity and use from 2006 to 2010 and the fact that the trademark “HEINZ” was identified as a well-known trademark ((2014) GXZZ No. 1537 administrative judgment) to confirm that the trademark “亨氏” had been well-known on Class 5 “baby foods” and other goods before July 13, 2010.

### **3. Courts grant anti-dilution protection to well-known trademarks**

In early times, there were disputes on whether to provide anti-dilution protection to well-known trademarks and whether registration and use of disputed trademarks can reduce the salience of well-known trademarks. Particularly, the Trademark Review and Adjudication Board considers that anti-dilution protection regulations were absent in the Trademark Law of China in a certain period of time. Therefore, claims of well-known trademark owners are basically not supported in respect of the said protection. Article 9 of the Interpretation of the Supreme People's Court on Several Issues about Trials of Civil Dispute Cases Involving Well-known Trademark Protection

provided regulations on anti-dilution protection, namely: “Article 9 is sufficient to make relevant public to consider the accused trademarks have considerate correlation with well-known trademarks. However, weakening the salience of well-known trademarks, derogating the market reputation of well-known trademarks or inappropriately using the market reputation of well-known trademarks are subject to the Paragraph 2 of Article 13 in the Trademark Law: ‘misleading the public and causing damages to the benefits of the registered trademark owners’”. However, the Trademark Review and Adjudication Board ever considered the judicial interpretation is only applicable to civil torts, but not applicable to cases of trademark right authorization and determination, and the said Board still takes a confusing standard in respect of “misleading the public”. Therefore, it’s basically not determined to constitute weakening. [5]

Subsequently, it’s expressly stipulated in the Interpretation of the Supreme People’s Court on Several Issues about Trials of Civil Dispute Cases Involving Well-known Trademark Protection: “Article 10 Civil administrative cases of trademark right authorization and determination (involving well-known trademark protection) tried by the People’s Courts may refer to relevant regulations provided in Article 5, Article 9, Article 10 and other relevant articles in the Interpretation of the Supreme People’s Court on Several Issues about Trials of Civil Dispute Cases Involving Well-known Trademark Protection”.

Beijing Higher People’s Court published Several Legal Issues that Need Attention during Current Intellectual Property Trials in May 2016, which provided a preliminary opinion on trial of administrative cases related to well-known trademark right authorization and determination involving well-known trademark protection: the scope of well-known trademark protection in administrative litigations involving trademark right authorization and determination, determination shall be subject to Article 9 of the Interpretation of the Supreme People’s Court on Several Issues about Trials of Civil Dispute Cases Involving Well-known Trademark Protection; particularly, protection of registered well-known trademarks shall not be only limited to avoiding confusion of commodity sources, but shall expand the protection to avoid “dilution” of the trademarks. As the Trademark Review and Adjudication Board determined the protection scope of registered well-known trademarks merely on the ground of confusing standard, the ruling of the Trademark Review and Adjudication Board shall



be corrected if it's found by trial during proceedings that it's necessary to expand protection by "dilution" standard.

In this Case, the Trademark Review and Adjudication Board adopted a confusing standard in respect of "misleading the public" during the trial.

Based on investigation, Beijing No. 1 Intermediate People's Court determined: as the evidence in this Case can prove the Reference Marks of the complainant (HEINZ Company) have been widely known by relevant public, and thus the said trademarks shall be determined as well-known trademarks. Therefore, the Trademark Review and Adjudication Board's ruling that the Reference Marks have relatively high popularity in "baby food" industry but haven't reached well-known degree is incorrect, and the Accused Ruling made by the Trademark Review and Adjudication Board shall be cancelled. After the court inquiry and sufficient hearing of the opinion of the three parties, Beijing Higher People's Court further pointed out the theory of well-known trademark anti-dilution protection, holding: schooling (education) and other services specified to use the Opposed Trademarks have certain correlation with Reference Mark 1 and Reference Mark 2 well-known on "baby foods" in respect of consumer groups and other aspects, and may cause relevant public to mistake that the service source of the Opposed Trademarks has certain correlation with the goods of the Reference Marks, and subsequently reduce the extent of correlation between Reference Trade Marks 1 and 2 and "baby foods". As a result, the consumers will be misled and the benefits of HEINZ Company may be damaged. The application for registration of the Opposed Trademarks has constituted the circumstances prescribed in Paragraph 2 of Article 13 in the Trademark Law 2001. In the second-instance proceedings of this Case, Beijing Higher People's Court offered anti-dilution protection to the well-known trademarks, holding that protection of the trademarks "亨氏" and "Heinz" shall not be only limited to avoiding confusion of goods sources, but shall expand protection to avoid "dilution" of the well-known trademarks, and the well-known trademarks of "亨氏" and "Heinz" in "baby food" industry shall enjoy non-competing protection to cover "schooling (education)".



## Conclusion

As can be seen from the proceedings of this Case, Beijing Higher People's Court adopted a relatively tolerant attitude toward the well-known trademark owners who supplement new evidence to prove the popularity of the trademarks in current administrative cases. Courts' awarding well-known trademark may alleviate litigants' burden of persuasion on well-known trademarks, and the anti-dilution protection granted to well-known trademarks generally provides relatively high protection to well-known trademark owners.

### Notes:

1. Provided by the Trademark Review and Adjudication Board, written by Li Junqing: "Analysis | Do you see the Trademark Review and Adjudication Board usually lose lawsuits? Actually, it wins more.....", published in China Industry & Commerce News, Sept. 19, 2016
- 2 .Zhou Yunchuan: Rules and Judicial Precedents about Trademark Right Authorization and Determination, Law Press, 2014, p.493
3. Zhou Yunchuan: Rules and Judicial Precedents about Trademark Right Authorization and Determination, Law Press, 2014, p.208-209
4. Beijing Higher People's Court (2015) GX(Z)ZZ No. 2751 Administration Judgment
5. Zhou Yunchuan: Rules and Judicial Precedents about Trademark Right Authorization and Determination, Law Press, 2014, p.217

## IMPORTANT INFORMATION

This Newsletter has been prepared for clients and professional associates of Lifang & Partners. Whilst every effort has been made to ensure accuracy, no responsibility can be accepted for errors and omissions, however caused. The information contained in this publication should not be relied on as legal advice and should not be regarded as a substitute for detailed advice in individual cases.

For more information, please visit our website at [en.lifanglaw.com](http://en.lifanglaw.com). If you have any questions, please contact us at [info@lifanglaw.com](mailto:info@lifanglaw.com) or

### **Beijing Office**

Address Room 1105, Tower A, Nan Xin Cang International Building,  
No.A22, Dongsishitiao Street, Dongcheng District, Beijing,  
P.R.China 100007

Telephone (86-10) 64096099

Fax (86-10) 64096260,64096261

### **Guangzhou Office**

Address Room 3806, Building G, G.T.Land Plaza, No. 16, Zhujiang East  
Road, Zhujiang New Town, Tianhe District, Guangzhou P. R.  
China

Telephone (86-20)85561566, 85561660, 38898535

Fax (86-20)38690070

### **Wuhan Office**

Address Room 1002, Tower C, Han Street Headquarter International,  
No.171 Zhongbei Road, Wuchang Dist, Wuhan, Hubei, P. R.  
China

Telephone (86-27) 87301677

Fax (86-27) 86652877

### **Seoul Office**

Address Room 1120, Anam-Tower, 311, Teheran-ro, Gangnam-gu,  
Seoul, Korea

Telephone +0082 02 69590780