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Fujian Province Light-industry Products Import & Export Group Corporation v. Fuzhou Wanda Pencil and Stationery Co., Ltd. et al.

Citation: The Supreme People's Court's Civil Judgment No. Zhizhongzi 8/1999

Date of judgment: January 14, 2001

Procedural history

The Fuzhou Wanda Pencil and Stationery Co., Ltd. (Wanda) sued, in the Fujian Province Higher People's Court, the Fujian Province Light-industry Products Import & Export Group Corporation (LIC) and the Fuzhou Renyu Stationery Co., Ltd. (Renyu) for infringement of its trademark and for unfair competition. The Fuzhou Pencil Plant (FPP) stood as a co-plaintiff upon request. The first-instance judgment held that Renyu infringed the trademark, and the LIC's act constituted one of unfair competition. The LIC appealed to the Supreme People's Court.

Issue

1. Whether a non-exclusive licensee of the registered mark had the right to sue against trademark infringement by another party for act of unauthorized use of the licensed mark?
2. How to determine a co-rightholder of the trade dresses particular to the famous goods, and what right did it enjoy?

Facts

Both the "Sunflower" brand and "Swallow" brand trademarks were FPP's registered marks used in its products, such as pencils. In 1980, the "Swallow" brand was selected a famous mark by the

Fujian Province Industry and Commerce Bureau.

In the early 1970s, the LIC gathered market information, and provided the preliminary idea of the design of the pencil. On the basis of this, the FPP designed the pattern of the design, made revisions together with the LIC, and finally chose the “panda” and “flower and prism” patterns to be used in the goods of pencils. After that, the FPP made and marketed in China the “Swallow” brand pencils using said trade dresses, and the LIC marketed them abroad. In this way, the trade dresses acquired a relatively high repute both in the domestic and overseas markets.

In 1995, the FPP authorized Wanda to use the “Sunflower” brand and “Swallow” brand marks, but FPP did not specify whether it was a solely-exclusive or exclusive license of said mark, nor did it specify the way to use, and the scope of the use of, the “panda” pattern and “flower and prism” pattern. Then, Wanda began to make the “Swallow” brand pencils bearing said trade dresses.

In 1996, Renyu made, as entrusted by the LIC, the pencils bearing the “panda” pattern and “flower and prism” pattern. In addition, it made and exported the “sunflower” brand pencils.

The first-instance court held that the “panda” pattern and “flower and prism” pattern were designed, and used together with the “Swallow” brand mark by the FPP, and the LIC’s unauthorized use of said trade dresses of the pencils constituted unfair competition. Renyu’s unauthorized use of the “sunflower” mark in the pencils it made constituted a trademark infringement.

The LIC argued in its appeal that the FPP and it had jointly designed the “panda” pattern and “flower and prism” pattern, and the relatively high repute thereof in the domestic and overseas markets were established jointly thereby, so it also enjoyed the right of prior use in the trade dresses.

Rule of law

Article 38, paragraph one (1), of the Trademark Law as of 1993 *Any of the following acts shall be an infringement of the exclusive right to use a registered trademark:*

...

(3) *fabricating, or manufacturing without authorization, representations of the registered trademark of another person or selling fabricated or unauthorizedly-manufactured representation of the registered trademark;*

Article 5 (2) of the Unfair Competition Law *A business operator shall not harm his competitors in market transactions by resorting to any of the following unfair means:*

...

(2) *using for a commodity without authorization a name, package, or trade dress particular to another party's famous commodity, or using a name, package or trade dress similar to that of another party's famous commodity, thereby confusing the commodity with that famous commodity and leading the purchasers to mistake the former for the latter;*

Reasoning

1. Renyu's unauthorized use, in its products, the FPP's "sunflower" brand mark constituted a trademark infringement. However, as far as a licensee was concerned, a licensee of a solely exclusive trademark license, enjoying the exclusive right to use said mark, was entitled to the exclusive use of the mark with authorization from the trademark owner, so he or it was entitled to sue on its own or together with the trademark registrant against the trademark infringement. But a non-exclusive trademark licensee only enjoyed the right to use said mark non-exclusively; his or its right of use was not exclusive, nor would it result in exclusive use, so it could not serve as the basis for making a claim against trademark infringement. In the present case, Wanda, a non-exclusive licensee of the "Sunflower" brand mark, was not eligible to claim protection of the trademark right, nor did it have any interest at stake in Renyu's infringement of the "sunflower" brand mark. Therefore, its litigant claim for protection of the trademark right was not tenable.

2. Marketed for a long time, the "Swallow" brand pencils using the trade dresses of the "panda" pattern and "flower and prism" pattern enjoyed a certain repute among the relevant sector of the public, and became famous goods. Said trade dresses possessed the distinctive character distinguishing it from those used on identical or similar goods, so it was a trade dresses particular to the famous goods.

Use of a trade dress is the key factor in determining the owner of the trade dresses particular to famous goods. The user who used said trade dresses first should be determined as the rightholder. In the present case, the particular trade dresses of the “panda” pattern and “flower and prism” pattern was created and first used in the 1970s. Under the foreign trade system then in China, the FPP and LIC marketed, respectively in China and abroad, the pencils using the said trade dresses, which had made it possible for the pencils using said trade dresses to be gradually reputable in the domestic and international markets and known to the relevant sector of the public. That the pencil products of the kind became famous goods was the result of the joint efforts by the two enterprises. Therefore, the FPP and the LIC were the co-owners of the trade dresses of the “panda” pattern and “flower and prism” pattern.

In the absence of express agreement in this regard, the co-owners of the particular trade dresses were entitled to use said trade dresses or license it to another party. While Wanda was licensed to use the trade dresses by FPP, it was neither the business operator first to have used the trade dresses, nor the one to have made it famous, so it was not entitled to claim that the LIC, one of the said co-owners, had committed unfair competition because it had the right to use said trade dresses. Therefore, the LIC’s act of using said trade dresses did not constitute an act of unfair competition.

Holding

1. While Renyu’s unauthorized use of another party’s registered mark constituted a trademark infringement, Wangda, a nonexclusive mark licensee, had no right to make claim against its trademark infringement.
2. The LIC and the FPP had jointly designed patterns of the trade dresses for the pencils, and jointly made the pencils using said trade dresses famous goods; hence, they were the co-owners of said trade dresses, and both were entitled to use said trade dresses alone or licensed them to another party.