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## Anhui Yingjia Alcohol Industry Co., Ltd. v. Anhui Shuanglun Alcohol Industry Co., Ltd.

*Citation: The Supreme People's Court's Civil Judgment No. Minsanzhongzi 9/2001*

*Date of judgment: December 5, 2001*

### **Procedural history**

The Anhui Shuanglun Alcohol Industry Co., Ltd. (Shuanglun) sued, in the Anhui Province Higher People's Court, the Anhui Yingjia Alcohol Industry Co., Ltd. (Yingjia) for infringement of the exclusive right to use its registered mark. The infringement was established in the first-instance judgment. Yingjia appealed to the Supreme People's Court.

### **Issue**

Whether an assignment of a registered trademark affected the enforcement of the trademark right.

### **Facts**

In October 1998, Yingjia began to make and market the "Laozaofang" brand liquor; on July 31, 2000, it filed an application for design patent respectively for the bottle and package of the liquor goods on which the Chinese characters "Laozaofang" were used, and was granted the patents on January 20, 2001. On November 24, 2000, it filed an application for registration of the "Laozaofang" mark, but the application was refused on the ground that said mark was similar to the "Laozaofang" mark the Luzhou Taiyangshen Alcohol Brewery (Taiyangshen) had registered. Later, Yingjia requested review and adjudication of the trademark refusal.

Taiyangshen was the first registrant of the "Laozaofang" mark (No. 1478511), and said mark was valid from November 21, 2000 to November 20, 2010. On December 1, 2000, Taiyangshen as-

signed the Laocaofang to the Sanqiao Company (Sanqiao), and the Trademark Assignment Agreement was approved by the Trademark Office on January 14 the following year. On January 16, 2001, Sanqiao assigned said mark to Shuanglun, with the Trademark Assignment Agreement also approved by the Trademark Office. From February 14, 2001, Shuanglun began to make and market “Laocaofang” brand liquor, but it also used the Chinese characters “Laozaofang” thereon.

On April 17, 2001, the Trademark Office made the “Reply on Whether the “Laozaofang” and “Laocaofang” Registered Marks Are Similar” in respect of trademark case (No. 15/2001), holding that the Chinese characters “Laozaofang” on goods of liquor were similar to the registered mark (No. 1478511), and that Shuanglun did not use the registered mark “Laocaofang” (No. 1478511) in a proper manner; such improper use should be rectified under the law.

Upon hearing the case, the first-instance court held that the “Laocaofang” Trademark Assignment Agreement concluded between Sanqiao and Shuanglun was legitimate and valid, and decided, under the Trademark Office’s Reply, that the Chinese “Laozaofang” characters Yingjia used were similar to Shuanglun’s “Laocaofang” registered mark, and Yingjia’s design patent should not be posed against Shuanglun’s exclusive right to use its mark.

Yingjia argued in its appeal that the series of Shuanglun’s acts of obtaining “Laozaofang” and “Laocaofang” mark through assignment and use of “Laozaofang” mark constituted unfair competition and trademark right abuse; “Laozaofang” and “Laocaofang” were not similar.

### **Rule of law**

Article 52, paragraph one (1) of the Trademark Law *Any of the following acts shall be an infringement of the exclusive right to use a registered trademark: (1) using a trademark that is identical with or similar to a registered trademark in respect of the identical or similar goods without the authorization of the trademark registrant;...*

### **Reasoning**

The registered mark “Laocaofang” was assigned to Shuanglun from Sanqiao under the contract; Shuanglun had gone through the formalities of trademark assignment under the Trademark Law

and had lawfully obtained the exclusive right to use the “Laocaofang” registered mark with the Trademark Office’s approval and publication. It was not prohibited by law for a business, for the purpose of competition, to be assigned the exclusive right to use a registered mark and to adopt the measures of using the exclusive right to use a registered mark to do business in a lawful manner and to protect its own legitimate rights and interests, except that the registration of the mark would infringe others’ legitimate prior right, or under other circumstances not in conformity with the Trademark Law. Shuanglun, as a business, had the same status in trademark right ownership as Taiyangshen and Sanqiao had before the assignment of the exclusive right to use the registered trademark, and its acts to use its exclusive trademark right to cease another party’s infringement did not constitute an act of unfair competition, nor an act of trademark right abuse.

Whether Shuanglun’s act of using the “Laozaofang” package and trade dress constituted unfair competition was to be regulated by another law, with different litigant claims. Yingjia did not make counterclaim regarding the matter in the first-instance trial, so the matter was not accepted in the second-instance trial.

“Laocaofang” was a word mark used in goods in class 33, such as liquor. The Chinese characters “Laozaofang” Yingjia conspicuously used in respect of its liquor had actually served the function of an unregistered mark. The form and pronunciation of “Laocaofang” and “Laozaofang” were similar with the three Chinese characters arranged in substantially the same order, which would be likely to mislead the average consumers about the source of goods.

### ***Holding***

Whether the exclusive right to use the “Laocaofang” registered mark right was assigned or not would not affect the fact that the two trademarks “Laocaofang” and “Laozaofang” were similar. Yingjia’s act of using the “Laozaofang” mark was prohibited under the law.