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Yueqing City Dadongfang Garments Co., Ltd. v. Baoxiniao Group Co., Ltd. et al.

Citation: The Zhejiang Province Higher People's Court's Civil Judgment No. Zhejingerzhongzi 112/2002

Date of judgment: December 12, 2002

Procedural history

The Baoxiniao Group Co., Ltd. (the Baoxiniao Group) and the Zhejiang Baoxiniao Garments and Apparel Co., Ltd. (Zhejiang Baoxiniao) sued, in the Wenzhou City Intermediate People's Court, the Yueqing City Dadongfang Garments Co., Ltd. (Dadongfang) and the Hong Kong Baoxiniao Co., Ltd. (HK Baoxiniao) for unfair competition. The first-instance judgment found the acts of Dadongfang and HK Baoxiniao constituting unfair competition, and Dadongfang appealed to the Zhejiang Province Higher People's Court.

Issue

1. Whether use of the overseas enterprise name or trade name containing the word of another party's registered mark constituted unfair competition? Whether the use constituted an infringement of the other party's trademark right?
2. Whether the expenses incurred for discovery and for infringement cessation should be recovered?

Facts

The Yongjia County Baoxiniao Garments Corporation (the Yongjia Baoxiniao) and the Zhejiang Baoxiniao filed applications for the registration of the marks (Nos. 925206, 1064365 and 925218) of the word, device, and Chinese phonetic alphabet (or Pinyin) of "Baoxiniao". In 1999, said reg

Registered marks were assigned to the Baoxiniao Group with the approval by the Trademark Office. The Baoxiniao Group and Zhejiang Baoxiniao concluded a contract for licensing the registered marks, in which it was agreed that the former licensed the latter to exclusively use the registered “Baoxiniao” marks.

On August 18, 1998, the “Baoxiniao” marks were awarded the title of famous marks in Zhejiang Province. During the trial of the present case, the combination marks of the word, device and Pinyin of “Baoxiniao” were established as well-known marks by the Trademark Office on March 12, 2002.

On August 9, 2000, Huang Jinlou and Huang Xiaoqin from Yueqing City, Zhejiang Province, were granted the registration of the Hong Kong Baoxiniao Corporation in Hong Kong, with the registered capital of HK\$ 10,000. Dadongfang was an enterprise making and marketing garments, with registered capital of RMB 1.18 million yuan; and it was assigned the registered mark (No. 1405203) of “Depai” used in respect of the goods of suits and shirts in class 25, with the approval of the Trademark Office on October 28, 2000.

On September 25, 2000, Dadongfang began to make suits bearing “Depai” mark with asserted authorization by the HK Baoxiniao to do its relevant businesses, such as entrusting others with making, processing and marketing the “Depai” brand series of suits; on the cover of said suits, label of washing instructions, the mark label pellets and the mark label were printed the Chinese words “Hong Kong Baoxiniao Co., Ltd.” or “Hong Kong Baoxiniao”. Besides, Dadongfang authorized other parties to sell suits bearing “Depai” mark in the name of HK Baoxiniao in such cities as Kunming, Errdos, Anyang and Zhangjiakou, where the Baoxiniao Group and Zhejiang Baoxiniao had set up franchised stores for selling the “Baoxiniao” suits.

On April 22, 2002, the Baoxiniao Group and the Zhejiang Baoxiniao put on a formal statement in the China Business News to eliminate the ill effect of Dadongfang’s making the suits bearing the “Depai” mark to mislead consumers.

Rule of law

Article 38 (4) 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: ... (4) infringing, in other ways, another person's exclusive right to use a registered trademark.*” (the provision has also been set forth in Article 52 (5) of the Trademark Law as of 2001)

Article 56, paragraph two, the Trademark Law *Where it is difficult to determine the profit earned by the infringer or losses suffered by the infringe because of the infringement referred to in the preceding paragraph, the people's court shall decide on an amount of the damages not more than RMB 500,000 yuan, depending on the circumstances of the infringing acts.*

Article 20 of the Unfair Competition Law *A business operator who violates the provisions of this Law and thus causes injury to the infringed business operators, shall be held liable for damages. If it is difficult to calculate the losses suffer by the infringed business operator, the damages shall be the profits made from the infringement by the infringer in the course of the infringement. And the infringer shall also be liable to compensate the reasonable expenses of the infringed business operator for investigating the infringer's unfair competition acts infringing his lawful rights and interests.*

Reasoning

1. The registered “Baoxiniao” trademarks were awarded the title of famous marks in Zhejiang Province in 1998, and established as well known by the Trademark Office on March 12, 2002, which showed that, the Baoxiniao Group and Zhejiang Baosiniaio adopting their special ways of marketing, advertising, improving and ensuring the quality of, the products *per se*, had made the “Baoxiniao” suits they made gradually known to consumers, and relatively highly reputable among the relevant sector of the public. Besides, the relatively high market repute and the relatively great market potential of the brand would bring the manufacturers relatively considerable profits. Therefore, the right of the Baoxiniao Group and the Zhejiang Baoxiniao was protected under the General Principles of the Civil Law, the Unfair Competition Law, and, as well, the Chinese Trademark Law.

Huang Jinlou and Huang Xiaoqin, coming from the same administrative region in Wenzhou City as the Baoxiniao Group and the Zhejiang Baoxiniao, registered a company in Hong Kong, using “Baoxiniao” as its trade name when they clearly knew that the “Baoxiniao” brand was reputable to circumvent the law. Dadongfang, an enterprise making suits, which knew that “Baoxiniao” brand was reputable, accepted the HK Baoxiniao’s entrustment with making and marketing the HK Baoxiniao’s “Depai” suits and authorized other parties to market the same to seek high profits. In doing so, it had obviously intended to “take advantage of the famous brand”. Further, said acts had in fact misled and confused the consumers, and diluted the “Baoxiniao” trademark. Dadongfang and the HK Baoxiniao, taking advantage of the rightholders’ competitive edge to grab their market share, had obviously acted in violation of the principles of honesty and credibility, and the business ethics generally accepted in market transaction. Their acts constituted unfair competition.

The HK Baoxiniao used, as its corporate trade name, the word identical with the registered mark of the Baoxiniao Group and the Zhejiang Baoxiniao, and authorized Dadongfang to use it in respect of the identical goods, Dadongfang prominently printed the words “Baoxiniao” on the infringing products it made, which cause confusion on the part of consumers, and infringed the exclusive right of the Baoxiniao Group and the Zhejiang Baoxiniao to use their registered marks. These were the acts prejudicial to others’ exclusive right to use their registered marks as provided for in Article 28 (4) of the Trademark Law as of 1983 and Article 1 (1) of the Supreme People’s Court’s Interpretation of Several Issues Relating to Application of Law to Trial of Cases of Civil Disputes over Trademarks.

2. In the present case, since it was difficult to determine the losses that the rightholders had suffered because of the infringement and the benefits that the infringer had made from the infringement, the amount of damages was determined by way of fixed amount of damages (i.e. the statutory amount of damages of not more than RMB 500,000 yuan) at the rightholders’ request.

3. The present case involved a dispute arising from unfair competition, with the infringement arising in Hong Kong and several provinces/cities in mainland China. It was a difficult case requiring great efforts for the discovery. For this reason, the reasonable expenses the Baoxiniao Group and the Zhejiang Baoxiniao paid should be recovered. The advertising expenses for making statement

in the press to cease the infringement were causally related to the infringement; hence the infringers should be held liable for the damages due to the rightholders in this regard.

Holding

1. Dadongfang and the HK Baoxiniao had acted to take advantage of the rightholders' competitive edge and to grab their market share. The acts were contrary to the accepted business ethics in market transaction, and constituted unfair competition.
2. Dadongfang and the HK Baoxiniao, prominently using, as their enterprise name, words identical with or similar to the other parties' registered marks in respect of identical or similar goods, had infringed the Baoxiniao Group's exclusive right to use its registered marks.
3. The reasonable expenses paid for the discovery and for the infringement cessation should be recovered.