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Zhejiang Huatian Industry Co., Ltd. v. Yamaha Engine Corporation et al.

Citation: The Supreme People's Court's Civil Judgment No. Minsanzhongzi 1/2006

Date of judgment: April 25, 2007

Procedural history

The Japanese Yamaha Engine Corporation (Yamaha Engine) sued for trademark infringement, in the Jiangsu Province Higher People's Court, the Zhejiang Huatian Industry Co., Ltd. (Zhejiang Huatian), the Nanjing Lianren Automobile and Motorcycle Marketing Co., Ltd. (Nanjing Lianren), the Taizhou Huatian Motorcycle Marketing Co., Ltd. (Taizhou Huatian) and the Taizhou Jiaji Motorcycle Marketing Co., Ltd. (Jiaji). In the first-instance judgment, it was decided that the infringement was constituted, and the determined damages amounted to RMB over 8.3 million yuan. The Zhejiang Huatian appealed to the Supreme People's Court.

Issue

1. Whether use of a trade name with overseas authorization similar to another party's registered mark constituted infringement of the trademark right.
2. Conditions for the application of statutory damages

Facts

Yamaha Engine was granted the registration of the trademarks "YAMAHA", "雅马哈"(the Chinese transliteration of "Yamaha") and "FUTURE" respectively in 1999 and 1996 in China to be used in goods in class12, such as motorcycle and various means of transportation and parts thereof.

The Japanese Yamaha Corporation was an enterprise unrelated to Yamaha Engine that made the “雅马哈” motorcycles in suit. In January 2000, it concluded the Agreement on Technical Cooperation, Enterprise Management and Use of Trade Dress with Taizhou Huatian, the predecessor of the Zhejiang Huatian, to have authorized the latter to use the trade name of the Japanese Yamaha Corporation approved by the Japanese Local Legal Affairs Bureau and the Chinese trade name of the same.

In September 2000, Yamaha Engine sued in Japan, alleging that the Japanese Yamaha Corporation’s registration and use of said trade name in its business were quite likely to create confusion and prejudice to the plaintiff’s business interests both in China and Japan. The Japanese local court ruled that the plaintiff’s litigant claims were tenable, and cancelled the registration of said trade name.

According to the determination made in the relevant administrative punishment decision by the Taizhou City Industry and Commerce Bureau, Zhejiang Huatian made, from December 2000 to February 2001, 534 motorcycles bearing the words “Huatian Motorcycle · Japanese Yamaha Corporation”.

In the first-instance trial of the case, Zhejiang Huatian refused to present the financial documents necessary for the appraisal or evaluation. After the auditing organization finished its auditing on the basis of the documents available, it prepared an auditing report, stating that, from December 2000 to March 2001, Zhejiang Huatian made and sold 2,113 motorcycles in suit of eight models, and showing the corresponding business profits and the total profits.

Zhejiang Huatian appealed, arguing that there was no evidence showing that on all the 2,113 motorcycles were indicated the words “Japanese Yamaha Corporation” and “FUTURE”; under the circumstances that there was not any way to calculate the amount of profits made because of the infringement, nor to prove the losses the appellee suffered, the provision concerning statutory damages not more than RMB 500,000 yuan should apply.

Rule of law

Article 38 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:*

(1) using a trademark which is identical with or similar to the registered trademark on the same or similar goods without a license from the owner of that registered trademark;

Article 118 of the General Principles of the Civil Law *If the copyright, patent right, exclusive right to use a trademark, right of discovery, rights of invention or right in a scientific and technological research achievement of a citizen or legal person is infringed by such means as plagiarism, alteration or imitation, he or it shall have the right to demand that the infringement be ceased, its ill effects eliminated, and the damages compensated for.*

Article 75 of the Several Provisions by the Supreme People's Court Relating to Evidence of Civil Litigation *In the presence of evidence showing that a party holds evidence, but he refuses to presents it without justification, if the other party asserts that said evidence is unfavorable to the party holding it, the assertion can be presumed to be tenable.*

Article 13 of the Supreme People's Court's Interpretation of Several Issues Relating to Application of the Law to Trial of Cases of Civil Disputes over Trademarks *The people's court, when determining the liability of an infringer for damages may calculate the amount of damages in the way chosen by the rightholder. The amount of the damages for infringement of the exclusive right to use a mark is the benefit made by an infringer because of the infringement during the infringement or the injury suffered by an infringe because of the infringement during the infringement, including the infringe's reasonable expenses paid for ceasing the act of infringement. The benefit made because of the infringement may be calculated by multiplying the sales revenue of the infringing goods with the unit profit of the goods. If it is difficult to determine the unit profit of the goods, the calculation shall be made according to the unit profit of the goods of the registered mark.*

Reasoning

1. Determination of infringement

The words “Japanese Yamaha Corporation”, which Zhejiang Huatian used on the allegedly infringing goods seemed to be a trade name or enterprise name, which, however, was not registered in Japan and China. Through counterfeiting the trade name or enterprise name seemingly like “Japanese Yamaha Corporation”, the Zhejiang Huatian put, on the goods of the allegedly infringing motorcycle, the indication containing Yamaha Engine’s “YAMAHA” registered mark having relatively high repute in the relevant motorcycle market with the words “Japanese Yamaha Corporation” conspicuously used in relatively large size. It was obviously an act to intentionally mislead the relevant sector of the public to associate the allegedly infringing goods with the “YAMAHA” registered mark, and objectively sufficient to cause confusion about the source of goods in the relevant motorcycle market. For this reason, it might be decided that said act had caused prejudice to the exclusive right to use the registered mark “YAMAHA”. Knowing that the motorcycles were infringing products but still marketing them, Taizhou Huatian and Jiaji also infringed Yamaha Engine’s exclusive right to use its registered mark.

2. Establishment of the amount of damages

It was legally well based for Yamaha Engine to have chosen the way for calculating the amount of damages on the basis of the profits made by the three defendants in the first-instance trial because of the infringement under the Supreme People’s Court’s Interpretation of Several Issues Relating to Application of the Law to Trial of Cases of Civil Disputes over Trademarks; it was reasonable for it to have calculated the amount of damages by deducting the operational costs calculated on the basis of the available evidence from the total profits the manufacturers and dealers had made because of the infringement; it was not undue for the first-instance court to have determined the price at which the infringing products were sold in the present case with reference made to the average price in the market where Taizhou Huatian marketed the products of the same kind; it was not undue to have determined that Zhejiang Huatian made and marketed 2,113 infringing motorcycles in the absence of evidence to the contrary; it was not improper to have presumed that the amount of damages claimed by Yamaha Engine was tenable where the defendants, in the first instance trial, had the obvious intention of the infringement and were unable to adduce evidence; since, in the present case, it was possible to find out the unit profit of the infringing products and the benefits obtained because of the infringement, it was decided that the statutory damages of not

more than RMB 500,000 yuan was not applicable, and that the method the former court had used was reasonable to calculate the benefits made because of the infringement on the basis of multiplication of sales of the infringing goods by the unit profit made from the goods.

Holding

1. Zhejiang Huatian, making and marketing, and Taizhou Huatian and Jiaji, marketing, the motorcycles bearing the word “YAMAHA”, had infringed the Japanese Yamaha Corporation’s exclusive right to use its registered mark, had jointly committed the infringement, and had the subjective intention of joint infringement, so should be held jointly and severally liable for the infringement.

2. It was supported by the law provisions to adopt a method, chosen by the plaintiff in the first instance trial, to calculate the amount of damages on the basis of the profits the defendants made because for the infringement in determination of the liability for the damages caused because of the infringement. As it was possible to find out the benefits obtained because of the infringement, the statutory damages of not more than RMB 500,000 yuan did not apply to this case.