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Gansu Province Drug and Health Products Import and Export Corporation et. al. v. Lanzhou Foci Drug Plant

Citation: The Supreme People's Court's Civil Judgment No. Zhizhongzi 3/1998

Date of judgment: May 29, 1999

Procedural history

The Lanzhou Foci Drug Plant (Foci) sued the Gansu Province Drug and Health Products Import and Export Corporation (DHPC) and the Lanzhou Minshan Drug Plant (Minshan) in the Gansu Province Higher People's Court for trademark infringement and unfair competition. The first-instance court decided that Minshan's act constituted unfair competition. The DHPC and Minshan appealed to the Supreme People's Court.

Issue

1. Should a mark registered abroad by a related export agent, upon termination of the agency relation, be transferred to the original registrant, the owner of the mark, who was granted the registration of the mark in China?
2. Does the former export agent making, putting on display and marketing products with the package and trade dress similar to those of the owner's thereof constitute acts of unfair competition?

Facts

Foci began to use "Minshan" trademark in 1967, and was granted the registration thereof in October 1979. Due to the foreign trade system in China then, Foci did not have the import and export right, and the "Minshan" brand prepared Chinese medical products it made were exported by the

Gansu Province Local and Livestock Products Corporation. Between 1981 and 1984, the Gansu Province Local and Livestock Products Corporation was granted the registration of the “Minshan” mark in countries, such as Japan, Malaysia and Singapore, which Foci knew about and helped with the registration. In 1985, the DHPC began, in replacement of the Gansu Province Local and Livestock Products Corporation, to export the “Minshan” brand prepared Chinese medical products, and in 1992, it was licensed said “Minshan” mark registered abroad and began to market the prepared Chinese medicine bearing the mark abroad. In August 1993, the agency relation between the DHPC and Foci was terminated.

Minshan, affiliated to the DHPC, began, in 1991, to make the “Tanglong” brand prepared Chinese medicine products, with the package and trade dress similar to those of “Minshan” brand products. In 1997, the DHPC displayed and marketed the “Tanglong” brand products at the Guangzhou Commodity Fair.

The first-instance court held that, ever since Foci began to use the “Minshan” mark, not any other entity or individual had been granted the registration, in China, of the “Minshan” mark. The proprietary right of the “Minshan” mark belonged to Foci. The “Minshan” mark was registered by different registrants in China and abroad for historical reasons. Under the Trademark Law and the relevant documents of the State competent agency, the DHPC should transfer, as soon as possible, the “Minshan” mark registered abroad and held by it to Foci. Given the efforts the DHPC made for a long time to open up the international market, it would not be held liable for the trademark infringement after the trademark was transferred. The “Tanglong” brand prepared Chinese medicine Minshan made, with its package and trade dress similar to those of the “Minshan” brand products, and its plant name identical with the “Minshan” brand mark, misled consumers and impaired Foci’s legitimate rights and interests, so constituted unfair competition.

The DHPC appealed, arguing that the Chinese Trademark Law was not applicable to the registration of the “Minshan” mark abroad. Foci did not have the import and export right, and the act of displaying and marketing the involved goods at the Guangzhou Commodity Fair did not constitute acts of unfair competition.

Rule of law

Article 5 (2) of the Unfair Competition Law *A business operator shall not harm his competitors in market 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. According to the principle of independent registration and legal protection of marks in the various countries, the DHPC's exclusive right to use the mark which was licensed to it and registered in Japan, Malaysia and Singapore should be registered and transferred locally under each country's law. It was not subject to the regulation of the Chinese law. The relevant documents issued by the State competent agencies are the regulatory policy documents for coordinating the efforts to address issues left in history, such as the one involving a mark registered by different interested parties respectively in and outside the territory of China, which, applicable to the circumstance of the present case, these documents were not mandatory ones, so they should not serve as the legal basis for altering the registrant of the foreign mark outside the territory of China. Therefore, Foci was not entitled to request the DHPC to return the exclusive right to use the trademark free of charge.

2. Foci was the first to have used the package and trade dress of "Minshan" brand goods, and marketed said goods extensively in the U. S. and countries in Southeast Asia; it won reputation from the relevant sector of the consumers; said package and trade dress were original, and particular to famous goods. That Foci did not have the import and export right had no impact on its exercising the right to claim against unfair competition. Both the DHPC's act of displaying and marketing, at the Guangzhou Commodity Fair, the goods that Minshan produced using the package and trade dress particular to the "Minshan" brand goods and Minshan's act constituted unfair competition.

Holding

1. The DHPC was not obliged to transfer the "Minshan" mark registered abroad to Foci.

2. The DHPC and Minshan's displaying for sale and making the products with the package and trade dress particular to the famous goods of Foci constituted unfair competition.

Additional remarks

The Notification of the State Administration for Industry and Commerce and the Ministry of Foreign Trade on Prohibiting Unauthorized Registration of Other's Marks Abroad (No. Gongshang 367/1990) provides that "where one mark has been registered by different registrants in China and abroad, the registered mark shall be gradually transferred under the pertinent provisions, so that the registrant of the mark is the same person in China and abroad." The Notification was abrogated in 2004.