TRADEMARK USE ISSUE

The Concepts of Use of a Trademark Under European Union and United States Trademark Law
Tara M. Aaron and Axel Nordemann

The Balancing of Fair Use and Exclusivity—Trademark Rights Under the Chinese Trademark Law: A Third Amendment Perspective
George Fu and Cathy Wu

Use of Unregistered and Registered Trademarks: The Brazilian System
Elisabeth Kasznar Fekete

Proving Ownership Online . . . And Keeping It: The Internet’s Impact on Trademark Use and Coexistence
Anne Gilson LaLonde and Jerome Gilson

Exploring the Boundaries of “Use” After the 2014 Amendments to the Canadian Trademarks Act
Paul Tackaberry

Why Wait Three Years? Cancellation of Lanham Act Section 44(e) and 66(a) Registrations Based on Non-Use Prior to the Three-Year Statutory Period for Presumption of Abandonment
Sandra Edelman

Keyword Advertising in the United States and European Community
David Mayberry and Peter Brownlow

Commentary: Fluid Trademarks and Dynamic Brand Identities
Lisa Pearson

Commentary: Will There Be Any Repose at This B&B? The Supreme Court Weighs Collateral Estoppel from the TTAB
Jonathan E. Moskin
EDITOR’S NOTE

From time to time in the course of human events, The Trademark Reporter (TMR) publishes a theme issue. This is one such time. The theme is trademark use.

As the TMR has become increasingly international in focus in recent years, it gives us special pleasure to include in this issue articles focusing on not only United States law but also European law, Chinese law, Brazilian law, and Canadian law, as well as the unique insights and perspectives that come from comparing and contrasting the differing legal regimes. The issue includes articles addressing practical considerations arising from new methods of using trademarks in new media environments; comparing the differing legal structures (common law and use-based on the one hand and civil law and non-use-based on the other) in the United States and Europe; examining the ways in which these differing legal systems have regulated (or not) often highly controversial keyword advertising that forms the backbone of Internet commerce; describing emerging trends in China, particularly regarding what is fair use; elucidating use and registration requirements under Brazilian trademark law (including new developments there); defining trademark use and how the manner of use affects registration, enforcement, and cancellation in Canada (again including new legal developments); analyzing the leveling effects of the Internet in establishing trademark use and trademark rights under U.S. law and the consequences of non-use—namely, abandonment. How “use in commerce” is treated by the Trademark Trial and Appeal Board as distinct from the United States district courts is even at the heart of a case currently pending before the United States Supreme Court.

This summary barely scratches the surface of the use-related issues presented on these pages. On behalf of all of the editors, I hope it sparks timely and topical insights and is, of course, eminently useful.

Jonathan E. Moskin
Editor-in-Chief
THE BALANCING OF FAIR USE AND EXCLUSIVITY—TRADEMARK RIGHTS UNDER THE CHINESE TRADEMARK LAW: A THIRD AMENDMENT PERSPECTIVE

By George Fu∗ and Cathy Wu∗∗

I. INTRODUCTION

The fair use exception has long been applied as a counterweight to the exclusivity granted owners of intellectual property. In trademark law, the fair use doctrine was developed to strike a balance between the freedom of merchants' commercial speech and the trademark owner's registered rights. The fair use exception has a long history and is widely recognized in numerous jurisdictions worldwide. Thus, the TRIPS Agreement allows the use of descriptive terms as limited exceptions to trademark rights,1 provided that the rights of the trademark owner and third parties are taken into consideration. In the European Union, use in commerce of a term that is registered as a trademark, such as an individual's own name or address or indications of the kind, quality, quantity, intended purpose, value, geographic origin, or other characteristic of goods or services can be considered fair use.2 In the United States, use of a name or term (or device incorporating such name or term) constituting a person's individual name, in his own business, or an individual name or descriptive term associated with such person, is considered fair use if used either (1) fairly and in good faith only to describe goods, services, or their geographic origin rather than as a trademark,3 or

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1. See Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement), Article 17.


The proprietor of a trade mark or commercial designation shall not be entitled to prohibit third parties from using in the course of trade: 1. his name or address; 2. signs which are identical with or similar to the trade mark or commercial designation as indications concerning characteristics or properties of the goods or services, in particular, the kind, quality, intended purpose, value, geographical origin or the time of production of the goods or of rendering of the services; or, 3. the trade mark or commercial designation where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts, provided such use is not contrary to accepted principles of morality.

(2) to fairly identify the trademark owner in a manner not likely to cause confusion.4

China got off to a late start developing its trademark legislation in this respect. It was not until the latest amendments in 20135 that the Chinese Trademark Law formally added a fair use clause. Prior to that, despite scattered provisions possibly alluding to such an exception,6 there was no clear statutory basis for applying such an exception in individual cases. It was the Chinese courts that pioneered the application of “fair use,” shedding light and providing useful guidance on how Chinese practice would evolve going forward.

This article presents an overall summary of trademark fair use in China, analyzes some typical fair use cases, and summarizes the underlying theoretical and practical considerations taken into account by courts to balance the fair use defense against registered trademark rights. Finally, this article attempts to predict the effects of the third amendment of the Trademark Law on the fair use defense.

II. LEGISLATIVE HISTORY

The earliest trademark regulations that mentioned fair use were two administrative opinions issued by the State Administration for Industry and Commerce (the “SAIC”) in 19997: (1) the Opinions on Several Issues Relating to the Protection of Service Marks, which provides an exception to trademark infringement restrictions for proper use of a business's conventional signs, or trade name, name, or geographic designation to describe the service provided, as long as there is no intention to unfairly compete;8 and (2) Article 9 of the Opinions on Several Issues Relating to the Administrative Enforcement of Trademarks, which provides justifications for the good faith use of a party's name, address, or terms for descriptive purposes.9 Nevertheless, the application of these administrative regulations

4. See, e.g., New Kids on the Block v. News Am. Publ'g, 971 F.2d 302 (9th Cir. 1992).
5. The current PRC Trademark Law was promulgated on August 23, 1992, and was revised in 1993 and 2001. On August 30, 2013, Chinese legislators adopted the third revision of the PRC Trademark Law (the “Revised Trademark Law”). The Revised Trademark Law, which took effect on May 1, 2014, will bring about significant changes to the current Chinese trademark regime.
6. See infra text accompanying notes 8-10, 12, 18-19.
7. The SAIC is the Chinese authority responsible for both trademark registration and the administrative enforcement of trademark rights.
8. Opinions on Several Issues Relating to the Protection of Service Marks (国家工商行政管理局关于保护服务商标若干问题的意见) was issued by the SAIC on March 30, 1999).
9. Opinions on Several Issues Relating to the Administrative Enforcement of Trademarks (国家工商管理关于商标行政执法的若干意见) was issued by the SAIC on December 29, 1999. (Expired: no longer valid.)
has apparent limitations because they cannot be used as binding authority in court.

On August 3, 2002, the Implementing Regulations of the P.R.C. Trademark Law (hereinafter, the “Regulations”\(^{10}\)) were issued by the State Council.\(^{11}\) Article 49 of the Regulations provide exceptions for the use of common names, logos, or models conferred by a trademark or the quality, principal raw materials, functions, uses, weight, quantities, geographic names, or other features that are explicitly expressed by the registered trademark.\(^{12}\) For a long time, Article 49 of the Regulations was cited as the main legal basis for the fair use defense. Nevertheless, it is still not comprehensive enough to cover all types of fair use because it mentions only “descriptive” fair use (see discussion below).\(^{13}\)

Further, the Regulations do not even cover all situations that may involve the descriptive use of a trademark; for instance, the use of surnames or names of individuals/organizations was not covered.\(^{14}\)

In 2013 the National People’s Congress approved the third amendment to the Trademark Law. The new amendment incorporates the fair use doctrine in Paragraphs 1 and 2 of Article 59:

The exclusive rights owner of a registered trademark may not prohibit others from rightful use of the generic names, models or designs of the goods, or from directly referencing the quality, primary raw materials, function, use, weight, quantity or other features of the goods, or geographic names as included in the registered trademark.

The exclusive rights owner of a registered trademark of 3D symbols may not prohibit others from the rightful use of the shapes generated by the nature of the goods for which the trademark is used, or the shapes of the goods used to achieve certain technical effects, or shapes that provide the goods with substantive value.

Based on the Third Amendment and judicial practice, the fair use defense can be divided into three different types: descriptive fair use, nominative fair use, and utilitarian fair use.

\(^{10}\) The “Regulations” refer to the Implementing Regulations of the P.R.C. Trademark Law issued in 2002. It was later amended in 2014.

\(^{11}\) The State Council is the chief administrative authority of the People’s Republic of China.

\(^{12}\) See Implementing Regulations of the Trademark Law of the People’s Republic of China (商标法实施条例) issued by the State Council on August 3, 2002, Article 49.

\(^{13}\) In contrast to nominative fair use under the U.S. trademark system, which is triggered when a mark is used not to describe the defendant’s product but to refer fairly to a plaintiff or its goods or services. See New Kids on the Block v. News America Publ’g (9th Cir. 1992). The courts also acknowledge nominative fair use.

III. DESCRIPTIVE FAIR USE

Paragraph 1 of Article 59 fully incorporates the language of Article 49 of the Regulations, which covers what is commonly referred to as “descriptive fair use.” Descriptive fair use is likely the most widely accepted form of trademark fair use and generally applies to use of a term in good faith to describe a product rather than to identify its source. The doctrine does not, however, justify the deliberate use of another party’s mark as a trademark. In essence, the doctrine is intended to protect a merchant’s right to fully and freely describe its products or services without confusing the public. Notably, Paragraph 1 of Article 59 does not provide an explicit definition of fair use.

In 2002, Paragraph 19:1 of a Circular published by the Beijing Higher People’s Court attempted to define the elements of trademark fair use: (1) the usage was adopted in good faith; (2) the descriptive word(s) is/are not used as a trademark; (3) the descriptive word(s) is/are used only to show or describe the user’s own products; and (4) no confusion of the public is caused.

Interestingly, in a Circular issued in 2006, the Beijing Higher People’s Court deleted the “public confusion” element from the fair use test. Nevertheless, Chinese courts tend to consider whether public confusion might occur when applying the fair use doctrine.

As discussed below, terms that may be considered subject of fair use appear to fall into the following categories (among possible others, as time will tell): generic and descriptive terms and geographic names.

A. Generic Terms and Descriptive Terms

A “generic” term is a term that consumers understand primarily as the common name of a particular product or service.
A term is “merely descriptive” if the term is one that describes an ingredient, quality, characteristic, function, feature, purpose, or use of the specified product or service.\(^\text{21}\) When a plaintiff chooses a mark with descriptive qualities, the fair use doctrine could permit some competing uses of terms in their primary descriptive and non-trademark sense. Courts generally examine three factors in evaluating a fair use defense: (1) whether the term at issue is a common name or descriptive term instead of a fanciful name; (2) whether the party adopted the term only to describe the product and not to identify its source; and (3) whether or not there is a likelihood of consumer confusion.\(^\text{22}\)

In a case decided by the Shanghai No. 1 Intermediate People’s Court in 2010, *Softstar Entertainment Inc. v. Shanda Games Ltd.*,\(^\text{23}\) the plaintiff, Softstar, was a Taiwanese game developer that owned a registered trademark for “Dafuweng”\(^\text{24}\) (“Monopoly” in Chinese). Softstar was very well known among PC users in mainland China for its successful Monopoly-like PC game series called “Dafuweng.” Shanda was a Shanghai-based game developer that was famous nationwide. In 2005, Shanda independently developed an online Monopoly game and provided an online gaming service for its users. Later Shanda registered the service mark SHENGDAFUWENG\(^\text{25}\) (“Shanda Monopoly” in Chinese) for this game. Softstar filed a trademark infringement lawsuit against Shanda for registration and use of the mark SHENGDAFUWENG.

The Pudong District Court ruled in favor of the defendant, reasoning that “monopoly” is the generic name of a game in which players move around the game board buying or trading properties, developing their properties with houses and hotels, and collecting rent from their opponents, with the goal of driving opponents into bankruptcy. The court further reasoned that the two marks were not confusingly similar and that Shanda identified the source of the services it renders. Further, Shanda was also very famous, making it unlikely to have intended to take a “free ride” on

\(^{21}\) See *In re Gyulay*, 820 F.2d 1216, 3 U.S.P.Q.2d 1009 (Fed. Cir. 1987).

\(^{22}\) See *Inner Mongolia Hangjinghouqi Jinsui Food Industrial Co., Ltd v. Beijing Jinyumi Grain & Oil Co., Ltd*, December 2003 (Beijing No. 1 Intermediate Court). The court held that “snowflake flour” was a common name of flour that meets certain standards, and that the appointment of the term “snowflake” on flour packaging using the plaintiff’s trademark was fair use under the Article 9 of the Regulations.

\(^{23}\) *Softstar Entertainment Inc. v. Shanda Games Ltd.*, December, 2010 (Shanghai No. 1 Intermediate People’s Court). The case was transferred from the Beijing No. 1 Intermediate Court. See also *Softstar Entertainment Inc. v. Shanda Games Ltd.*, September 2006 (Beijing No. 1 Intermediate Court).

\(^{24}\) Dafuweng (Chinese: “大富翁”) means “monopoly” in English, and refers to the famous American-originated board game originally published by Parker Brothers.

\(^{25}\) Shengdafaufuweng (Chinese “盛大富翁”) means “Shanda Monopoly” in English.
Softstar’s goodwill, such that there was no evidence of bad faith. Accordingly, the court ruled that Shanda’s use of the mark constituted fair use. The appeals court upheld the trial court’s judgment, holding that: (1) the term “dauwueng” (monopoly) can be legitimately used to describe the game’s rules, goals, content and features; (2) Shanda’s mark SHENGDAFUWENG enjoyed high public recognition; and (3) the online game could be accessed only from the home page of Shanda’s website and therefore was less likely to cause consumer confusion with Softstar as to the source of online gaming service.

In Fengying Li v. Hunan Hengan Paper Co., Ltd., plaintiff Fengying Li brought an action in 2006 before the Beijing No. 1 Intermediate People’s Court claiming trademark infringement against Hunan Hengan Paper Co., Ltd., in connection with its advertising and sale of paper tissues in packaging bearing a purple ellipse with the Chinese term “xunyicao” (lavender) in the middle. The plaintiff based the action on its registration for XUNYICA0 in Class 16 covering for paper goods and printed matter, seeking an injunction barring the defendant’s use of “xunyicao.” The defendant contended that “xunyicao” was the name of a plant that was usually used as a spice, and that it was using “xunyicao” not as a trademark but only to indicate that the product’s ingredients included lavender and that the tissues had a lavender scent. The defendant further claimed that it had not acted in bad faith and that use of the subject term on the packaging was completely different from the plaintiff’s trademark.

The court ruled in favor of the defendant based on Article 49 of the Regulations: (1) paper tissues always include some scents, and the adoption of the term “xunyicao” indicates its scent, not its source; and (2) the defendant affixed its own trademark “Xinxiangyin” in a prominent manner along with the Chinese characters “xunyicao,” rendering confusion unlikely. Hence, the court ruled that the term “xunyicao” was used by the defendant only in a descriptive manner and the fair use defense applied.

27. Softstar Entertainment Inc. v. Shanda Games Ltd., September, 2007 (Shanghai Pudong District People’s Court).
28. Id.
29. Fengying Li v. Hunan Hengan Paper Co., Ltd., April. 2007 (Beijing No. 1 Intermediate People’s Court).
B. Geographic Names

Using a geographic name relating to the user's business location, even if that name is the same as or similar to another's mark, is generally considered fair use. Geographic names are commonly used as indicators of a product's origin. When the place of origin is famous for a certain kind of product, the geographic indications are more important. In China, conflicts over geographic designations are fierce because China is an old country and nearly all regions boast of local specialty products. Geographic names are usually used in combination with a local specialty—for example, "Shanxi Vinegar" and "Jindezhen China." A court will usually look at several factors when deciding such cases: (1) whether the term used really indicates a geographic area; (2) whether the geographic name is used to describe the product's place of origin; and (3) whether the defendant used the geographic name together with its own trademark to prevent consumer confusion.

"Jinhua ham" is a case in point. Jinhua City is a small city located in central Zhejiang province, and ham is Jinhua's famous local specialty. In Zhejiang Province Food Co., Ltd. v. Yongkangsilu Ham No. 1 Factory, the plaintiff, Zhejiang Province Food Co., Ltd., held a registered trademark for the term "Jinhua Ham" in Class 29 (meats and processed food products). The defendant, also a Jinhua food processing plant, used the term "Jinhua Ham" on its own ham's vacuum packs.

The defendant argued that: (1) "Jinhua" was the name of an administrative area and "ham" was a generic name for gammon (a certain cut of pork); (2) the term was used only for descriptive purposes; (3) since Jinhua's ham has been famous nationwide for thousands of years, it would be unfair to allow the plaintiff to command exclusive use of the phrase. The court agreed with the defendant's argument, holding that the registered mark owner of "Jinhua Ham" has no right to use this phrase exclusively or prohibit others from using the celebrated title for hams made in Jinhua.

In another case that also involved the use of a geographic name and a common name of a product—Zhoushan hairtail—the court held that the defendant bore the burden of proving that its own products actually originated from the designated geographic location.

32. Jindezhen, also known as "the ceramic city," is a city located in Shanxi Province.
33. The product must be actually produced in the place indicated by the geographic name. See Zhoushan Aquatic Product Processing and Circulation Guild v. Beijing Shenmaren Foodstuffs Sales Co., Ltd., November 2005 (Beijing 1st Intermediate Court).
34. Zhejiang Province Food Co., Ltd. v. Yongkangsilu Ham No. 1 Factory, August 2005 (Shanghai 2nd Intermediate Court).
35. Id. at 9.
36. Id.
In this case, the plaintiff, the Zhoushan Aquatic Product Processing and Circulation Guild, sued Beijing Shenmaren Foodstuff Sales Co., Ltd. for trademark infringement, alleging that the defendant’s use of the phrase “Zhoushan hairtail” on its hairtail products infringed its registered trademark. The trial court held that Zhoushan hairtail could be legitimately used in a descriptive sense. (Hairtail is a certain type of spiny-finned fish.) Consequently, the issue in this case was not whether there was a likelihood of confusion as to the product’s source, but whether there was a likelihood of confusion as to the product’s origin. The burden of proof was on the plaintiff, who failed to prove that the defendant’s hairtail did not originate in Zhoushan. The appeals court agreed with the trial court that “Zhoushan hairtail” was a descriptive term that could be used together with the defendant’s own mark if its products were actually produced in Zhoushan. Nevertheless, the court switched the burden of proof to Shenmaren. Since Shenmaren failed to prove the origin of its hairtail, the court held that it could not invoke the fair use doctrine and the trial court’s judgment was reversed.

IV. NOMINATIVE FAIR USE

Nominative fair use means use of another party’s trademark to refer to genuine goods or services associated with that mark. As early as 1995, the SAIC issued a notice regulating nominative fair use in the automobile repair business. The Notice Regarding the Prohibition Against the Unauthorized Use of Registered Trademarks by Automobile Spare Parts Dealers and Auto Repair Shops acknowledged the right to use another party’s trademarks by auto repair shops to describe the scope of their services; however, the trademarks must be used in short sentences such as “We can repair Mercedes” or “We sell Mercedes auto parts.” The trademark must also be written in the same font as the rest of the sentence.

In the 1990s, when the nominative fair use theory was not widely known in China, courts still managed to distinguish

38. Id.
39. Zhoushan Aquatic Products Processing and Circulation Guild v. Beijing Shenmaren Foodstuff Sales Co., Ltd., November 2012 (Beijing Higher People’s Court). The court quoted Article 64 of the Civil Procedure Law of the People’s Republic of China, to wit, “A party is responsible for submitting evidence in support of his or her own allegations.” The appellee is the manufacturer of its hairtail product. If it alleges a fair use defense, it should bear the burden to prove its hairtail product was originally produced in Zhoushan.
40. Id. at 10.
41. The Notice Regarding the Prohibition Against the Use of Registered Trademarks as Trade Names or as Signboards on Boutique Shops amended this Notice in 1996.
between nominative fair use and trademark infringement. For example, in 1991, a Chinese court heard a case on the use of another’s trademark for introduction purposes. In this case the Heilongjiang Higher People’s Court held that a defendant’s use of another’s mark to identify the defendant constituted trademark infringement when the underlying purpose of the use was merely to solicit business.

That case was initially filed with the Harbin Xiangfang District People’s Court and involved the term “Goubuli,” also known as “Go Believe,” a very famous mark for a traditional Chinese food—steamed buns. Fierce combat between bun producers over the ownership of “Goubuli” ensued. The plaintiff, Tianjin Go Believe Food & Beverage Co. Ltd., alleged trademark infringement by the defendants Harbin Tianlongge Restaurant and Gaoyuan, a natural person. Gaoyuan is a descendant of Gaoguixiu, the person who invented the brand, while the plaintiff was the holder of the registered trademark “Goubuli” (Go Believe). The two defendants cooperated and founded a “Goubuli” (Go Believe) theme restaurant and placed a big plaque outside the restaurant declaring that Gaoyuan, who worked at Tianlongge as a chef, was the fifth successor of Gaoyuiyou. The District Court concluded that this plaque merely stated the fact that Gaoyuan is the offspring of Go Believe’s founder and, therefore, the defendants’ behavior did not constitute unauthorized “use of a mark that is similar or identical to a registered trademark.”

The plaintiff appealed to the Harbin Intermediate Court. The court upheld the judgment, ruling that the disputed term was used to advertise the chef’s identity, and not as the trademark “Go Believe.” Moreover, the court noted that the defendant had not even affixed the mark “Go Believe” to its own steamed buns, further supporting the conclusion of no trademark infringement.

The plaintiff appealed the judgment further to the Higher People’s Court, which overturned the judgment, holding that although Gaoyuan was the successor of “Goubuli” (Go Believe) steamed buns, he had no rights in the registered trademark “Goubuli” (Go Believe). The court pointed out that the defendants

42. Founded in 1858, “Goubuli” (Chinese: “狗不理”) is one of China’s longest established brands. The holder of the trademark gave it its English name for the 2008 Beijing Summer Olympics.

43. Referred to as “stuffed bun” in Chinese.

44. See Tianjin Go Believe Food & Beverage Co. Ltd v. Haerbin Tianlongge Restaurant, December 1994 (Heilongjiang Higher People’s Court).

45. The defendants had their own brand: Tianlongge.

46. Tianjin Go Believe Food & Beverage Co. Ltd. v. Haerbin Tianlongge Restaurant, August 1993 (Haerbin Xiangfang District People’s Court).

47. Tianjin Go Believe Food & Beverage Co. Ltd v. Haerbin Tianlongge Restaurant, December 1993 (Haerbin Intermediate People’s Court).
used the plaque not simply to assert the fact that Gaoyuan was the successor to the brand, but to sell buns, and therefore the affixation of the trademark “Goubuli” (Go Believe) on the restaurant’s plaque infringed the plaintiff’s exclusive trademark rights.

Similarly, the Shanghai Pudong District People’s Court mentioned the nominative use theory in its judgment in a lawsuit between Caterpillar, Inc. and Rui’an Changsheng. The plaintiff, Caterpillar, is a big American corporation that designs, manufactures, markets and sells machinery and engines. Caterpillar registered CATERPILLAR and C with the Chinese Trademark Office in 1981 and 1982, respectively. The defendant, Rui’an Changsheng, was a manufacturer of automobile filters. In 2005 the Waigaoqiao Port Customs seized a shipment of defendant’s automobile filters affixed with the marks C and FOR CATERPILLAR.

Caterpillar sued Rui’an Changsheng for trademark infringement. After comparison and analysis of the seized filters, the court entered a judgment in favor of the plaintiff. The court pointed out that as unique and indispensable components of automobiles, different filters match different automobiles. In order to help consumers find the type of filter that suits particular brands of car, filter manufacturers are allowed to make nominative use of others’ trademarks. Nevertheless, such use must be in good faith and must be strictly limited to a reasonable scope. No confusion or false linking between the product and its source should be introduced by such nominative use of another’s trademark. In this case, however, the defendant used Caterpillar’s registered mark C and the term “FORCATERPILLAR” right behind the mark. The prefix “FOR” indicated that the filter was made for Caterpillar. Further, the defendant attached silver laser tags that carry its trademark in vague white letters. Consequently, it was very difficult to locate the defendant’s own mark on the filters. By contrast, the logos “C” and “FORCATERPILLAR” were written in bold black print and displayed in a conspicuous manner. Nothing else was affixed to the products to indicate that the defendant produced the filters. Based on these factors, the court concluded that such use could confuse customers as to the origin of the filters when they purchased them, indicating bad faith on the part of the defendant. The court concluded that use of a registered trademark by defendant exceeded the extent necessary to indicate the source and usage of the product and thus did not constitute fair use.

48. See Caterpillar, Inc. v. Ruian Changshen, April 2007 (Shanghai Pudong New District Court).

Another case involved Educational Testing Service (“ETS”), the world’s largest private nonprofit educational testing and assessment organization, owner of the registered marks ETS and TOEFL in China. In the 1990s, ETS discovered that New Oriental, the largest foreign-language educational service provider in China, was using the mark TOFEL on its published English test review materials without permission. Some of the materials even contained TOEFL test questions copyrighted by ETS.

ETS filed a lawsuit against New Oriental in the Beijing No. 1 Intermediate People’s Court, alleging both copyright and trademark infringement. The trial court did not accept New Oriental’s argument that the use of TOEFL was designed to state and describe the use of the materials, holding that the use of ETS’s registered trademark TOEFL constituted trademark infringement.50

On appeal, New Oriental reiterated its contention that the use of TOEFL was for descriptive purposes rather than to identify the source of the services, and that no consumer confusion was caused. The appeals court accepted this contention and overturned the judgment.51 The court concluded that in this case TOEFL was used as the common name of a product, namely, that New Oriental used TOEFL merely to show that its materials were designed to allow the user to prepare for ETS’s TOEFL examination. Such use satisfied nominative fair use requirements under Chinese law.

In conclusion, this type of fair use is typically required to conform to honest commercial practices that do not suggest association with the trademark owner and that do not degrade the value of the mark’s goodwill.

V. UTILITARIAN FAIR USE

The new Chinese Trademark Law added a fair use provision for technical effects contained in three-dimensional trademark registrations, as follows: “Where a three-dimensional registered trademark contains any shape derived from the goods itself, product shape required to obtain the technical effect, or shape that gives a substantive value to the goods, the holder of the exclusive trademark right has no right to prohibit others from duly using.” [Art. 59, Par. 2]. This provision was added based on the same logic as for the fair use defense for two-dimensional signs. It remains to be seen how courts will apply the fair use defense for three-dimensional marks in the cases to follow implementation of the new law.

VI. TRADEMARKS AS TRADE NAMES

In China, using a term that is similar or identical to a registered trademark as a trade name in the same business can be treated as trademark infringement if it results in consumer confusion. The courts have created a four-element test to address such claims under which the trade name will be an infringement where it is: (1) identical or similar to the registered trademark; (2) used on an identical or similar class of products; (3) used in a conspicuous manner; and (4) causes consumer confusion. If all the elements are satisfied, the defendant’s use of the registered trademark constitutes trademark infringement.

On the other hand, Paragraph 27 of the Circular 2006 justifies normal use of an enterprise’s names and trade names that are the same or similar to a registered trademark, when such use evidences no bad faith and the mark is not used as a trademark. Although the Circular 2006 is not mandatory legal authority, it does provide a guide for the courts to refer to when hearing such cases.

A case decided in 2006, for example, concerned the name of the famous multinational computer technology company, “Dell,” used by a Beijing computer & English language training school in English and Chinese. The school named itself the Beijing Haidian Dell Training School (hereinafter “the School”). Dell filed a lawsuit against the School, but the court ruled against Dell. The court reasoned that: (1) at the time the School adopted the name “Dell” in 2002, Dell was not yet a well-known mark in China; (2) protection for marks that are not well known does not extend to different classes of products/services; and (3) the mark was used in the education industry, not the computer retailing industry. For all of these reasons, the School’s use of “Dell” was ruled legitimate.

Another case involved the Starbucks Corporation, a famous global American coffee company and coffee shop chain. In May 1996, the plaintiff, Starbucks Corporation, registered STARBUCKS and in December 1999 registered the Chinese translation of “Starbucks,” both with the China Trademark Office. The defendant, a Shanghai coffee company, filed an application to register the Chinese counterpart of “Starbucks” as a company name with the Administration of Industry and Commerce.

52. See the Interpretations of the Supreme People’s Court on Several Issues Concerning the Application of the Law in Hearing Civil Cases Relate to Trademark Disputes, Article 1.

53. See Nanjing Xuezhongcaiying Photo Studios & Wedding Dress Co. Ltd v. Shanghai Xuezhongcaiying Photo Studios & Wedding Dress Co. Ltd., August 26, 2005 (Jiangsu High People’s Court).

54. See Dell Inc. v. Beijing Haidian District Dell Training School, December 2006 (Beijing No. 1 Intermediate People’s Court).

55. Chinese Translation of “Starbucks” is Xingbake (Chinese “星巴克”).
(“AIC”) in 1999. In October 1999, the AIC approved its company name\textsuperscript{56} registration application, and the defendant’s company was formally founded in March 2000. The plaintiff brought an action in court alleging trademark infringement by the defendant in using the subject Chinese language company name. In applying the four-pronged test to plaintiff’s claims, the court found that: (1) the Chinese counterpart of “Starbucks” used by the defendant is identical to the official translation of “Starbucks,” which was registered as a trademark by the plaintiff in 1999; (2) the defendant was engaged in the same business as the plaintiff—the coffee shop business; (3) the defendant used the mark on its coffee shop decorations, cups, advertisements, etc.; (4) since the design of the defendant’s logo was similar to the plaintiff’s design, consumers might be confused about its origin; and (5) when explaining the reason for its adoption of this name the defendant presented a very unconvincing story.\textsuperscript{57} Further, the defendant had knowledge of the well-known “Starbucks” name prior to the registration of its enterprise name.\textsuperscript{58} The court ruled that the defendant’s use of the STARBUCKS registered trademark as a trade name infringed the plaintiff’s exclusive trademark rights, and ordered the defendant to amend its mark within thirty days after the judgment went into effect.\textsuperscript{59} The appeals court upheld the judgment of the trial court.\textsuperscript{60}

VII. TRADEMARKS AS SPEECH

Typically, trademark law regulates only commercial speech;\textsuperscript{61} non-commercial speech such as news, parody, and straightforward dictionary definition use typically does not trigger the application of trademark law. Instead, non-commercial speech that does not create a likelihood of consumer confusion might fall within the scope of free expression.\textsuperscript{62} In the United States, the First Amendment of the Constitution applies at least in some measure to all speech, whether or not it is “commercial.” In China, the

\textsuperscript{56} Company name is Shanghai Xingbake (星巴克) Coffee Co., Ltd.

\textsuperscript{57} See Starbucks Corporation v. Shanghai Xingbake Coffee House Co. Ltd., December 2005 (Shanghai No. 2 Intermediate People’s Court).

\textsuperscript{58} Id.

\textsuperscript{59} Id. at 18.

\textsuperscript{60} See Starbucks Corporation v. Shanghai Xingbake Coffee House Co., Ltd. December 2006 (Shanghai Higher People’s Court).

\textsuperscript{61} Under U.S. law, commercial speech is subject to diminished protection under the First Amendment.

\textsuperscript{62} See Taubman Co. v. Webfeats, 319 F.3d 770 (6th Cir. 2003). The court held that any expression embodying the use of a mark not likely to cause confusion is outside the jurisdiction of the Lanham Act and is necessarily protected by the First Amendment. Domain names that do not violate the Lanham Act’s prohibitions against cybersquatting are also within the protection of free speech.
Constitution generally does not serve as a legal basis that can be invoked by parties during civil and criminal litigation. Moreover, Article 35 of the Constitution, which provides the basis of freedom of speech, is too vague to apply, and no one has ever quoted Article 35 of the Constitution as a defense to trademark infringement. The Trademark Law defines trademark infringement as using a trademark that is identical or similar to a registered trademark in connection with the same or similar goods, without the authorization of the trademark registrant. The meaning of “use” is later defined in the Regulations as the affixation of trademarks to products, product packaging, or containers as well as product exchange documents, advertisements, exhibitions, and other commercial activities. The new Amendment further clarifies that “use” in the trademark sense shall be made to the extent of identifying the source of goods. Therefore, if the mark is used for a non-commercial purpose such as news, dictionary definitions, or parody and not as an indicator of its source trademark law will not be triggered. Such inquiries, of course, are quite fact-based, and time will tell how the law will evolve in these contexts.

VIII. CONCLUSION

Although the third amendment of the Trademark Law has just formally introduced the fair use doctrine into the Trademark Law, it is already not uncommon for defendants to skillfully employ fair use as an affirmative defense in judicial practice. As illustrated by the above cases, Chinese courts are beginning to develop experience in applying the fair use doctrine. So far, the standard applied by Chinese courts to balance fair use and trademark exclusivity appears to include consideration of the following elements: the defendant’s bad faith, the strength of the plaintiff’s and defendant’s mark, how the plaintiff’s mark is used, and whether or not there is a likelihood of consumer confusion. However, a universal standard has not yet been established, because the Supreme Court of the People’s Republic of China has not yet ruled on the issue. Different courts may still interpret the doctrine in different ways, resulting in inconsistent judgments even on identical or similar facts and issues. It is notable that certain provincial higher courts have made efforts to unify the practices through issuing the local directives or circulars. In time, we expect that the Supreme Court itself will be presented with an opportunity to provide definitive guidance on how to apply fair use principles.

64. See Implementing Regulations of the Trademark Law of the People’s Republic of China, Article 3.