Multidisciplinary Inclusive Education, Management and Legal Services (MIEMLS)

Journal Homepage: <https://topicsonsocialdevelop.com>

DOI: 10.26480/ismiemls.01.2018.10.12

ISBN : 978-1-948012-13-3

ENLIGHTENMENT TO CHINA BY LEGISLATION OF DAMAGES FOR TRADEMARK INFRINGEMENTS OF THE UNITED STATES AND JAPAN

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ARTICLE DETAILS

Article History:

Received 26 June 2018

Accepted 2 July 2018

Available online 1 August 2018

ABSTRACT

Some corporations take action to infringe other trademarks under the temptation of fantastic profits. Therefore, it is a must to strictly punish the behavior of trademark infringement for protecting a fair environment for market competition and legal rights of the owners of trademarks. At the same time, damages for trademark infringement should be required to be implemented to make up the loss that the owner suffers therefrom. That the legal regulations of foreign countries aiming at damages for trademark infringement are quite mature has an active function to sanction such behavior. Countermeasures and suggestions related to improvement of Chinese legislation in this field are proposed pursuant to the present conditions in addition to suggestion of borrowing others' excellent experience after investigating and surveying relevant legislation of the developed countries like America and Japan. the paper uses the comparative method to get three suggestions to china. (1) quantitative standard of statutory damages. (2) empowering the plaintiff to choose legal compensatory approaches. (3) specifying the standard for punitive damages.

KEYWORDS

Trademark infringement, Damages, Legislation, Enlightenment.

1. INTRODUCTION

Enterprises also compete with each other increasingly fiercely as the market economy further develops gradually. Many companies attach great importance to their own trademark brands in order to keep a long-term stable position in the intense market competition. As we all know that it takes massive investment of human resources, finance and materials to form a competitive trademark brand. In some extent, the firm's trademark brand, representing their reputations and images, has the ability to attract more potential customers and help them gain fabulous profits, and make the products and services of this trademark brand more popular for consumers as well. Some corporations, however, take action to infringe other trademarks under the temptation of fantastic profits.

Therefore, it is a must to strictly punish the behaviour of trademark infringement for protecting a fair environment for market competition and legal rights of the owners of trademarks. At the same time, damages for trademark infringement should be required to be implemented to make up the loss that the owner suffers therefrom. Internationally, the issue of trademark infringement is shown great respect and the related legislation is also more mature, especially in the two counties America and Japan, their legislation in this area is pretty complete. Hence the paper puts more emphases on these countries' legislation in this field, and comes up with suggestions to perfect Chinese aiming at the shortcomings of Chinese existing legislation and situation.

2. LEGISLATION OF DAMAGES FOR TRADEMARK INFRINGEMENT OF THE UNITED STATES AND JAPAN

2.1 The United States

There is no doubt that the United States is worldwide leading in the path of intellectual property right protection. The country made very thorough legal regulations in respect of damages for trademark infringement. Here

Lanham Act of America deserves the best mention. Article 35 of the Act has provisions for remedies of trademark infringement, including (a) when the rights of the person having registered its own trademark in the patent and trademark bureau are infringed..... causes a civil lawsuit, the plaintiff is entitled to get (1) what the defendant gained illegally, (2) any loss that the plaintiff suffers therefrom, or (3) cost for filing a lawsuit. The plaintiff only need offer a certification of the defendant's sales at the calculation time of illegal gains, but the defendant has to provide evidence for all costs or other expenses needing deduction; (b) ifhappens because of intentional use of the trademark, meaning the trademark is still used although there is clear knowledge that it is infringing other trademarks, the court shall, unless thinking the consequence caused is light, require the defendant to give back 3 times of what he or she gained illegally or of the damages as a compensation (subject to the higher of the two) when.....estimate the amount of compensation for trademark infringement according to the aforesaid (a), and also to pay for rational attorney's service. In such situation, the court is able to have the right to determine the interest of the sum of money..... before making a court decision; (c) in the event that the defendant takes advantage of false trademark in sales or marketing, or when selling/distributing products or services, the plaintiff is able to choose not to be compensated in the light of the practical loss or illegal income mentioned in item (a) at any time before the court of first instance makes the final decision, but require statutory damages [1].

Analysis to Lanham Act of the United States lets us know it plays an important role in the remedy aiming at the behaviors of trademark infringement to safeguard the rights of the owner of trademark. The Act first makes it definite that the damages that the trademark owner can obtain will be the defendant's illegal income, all losses they suffer and the expenses they pay for corresponding proceedings when their rights are infringed. To be convenient for the plaintiff to protect their rights, the preparation that they need to do is only to prove the defendant's sales, and

other massive matters are left to the counter party. The aforesaid stipulation can both raise proceeding efficiency and be helpful to opportunely restore the plaintiff's rights. For the planned infringement on trademark, the court is entitled to adjudicate that the defendant should compensate the plaintiff 3 times of their unlawful obtainment or damages, and to determine the bigger amount of the two as the ultimate compensation. There is also exception that the above mentioned rule will be invalid on the condition that the court finds the related plots of some intentional infringements on trademark are light during handling the cases, which can not only display the effective function of preventing lawbreakers from intentionally carrying out behavior of trademark infringement and fully guarantee the trademark owner's rights, but also rationally deal with these light trademark infringements in spite of deliberateness. It very embodies the fairness and justice of the law. Furthermore, being aimed at the situation of making use of fake trademarks in these fields like marketing and product allocation, this rule provides the plaintiff a significant right that enable them to directly choose the statutory damages in a full enough period as long as the choice is given out before the first-instance judgement of the court. Such provision, which greatly favors the plaintiff to maintain their rights, allows the plaintiff to directly request the court to decide the statutory damages as a compensation when finding it is more favorable, which represents obligee's free right of choosing how to be compensated and also motivates the plaintiff's initiative of right protection.

2.2 Japan

There are clear provisions in Article 38 and Article 39 of Japanese Trademark Law on damages for trademark infringement. Article 38 provides that (1) the damages that the trademark owner or exclusive user deserves to get are figured out by the number of commodities infringing their trademark and transferred by the infringer multiplies the entire income of the profit of each commodity that the trademark owner or exclusive user can sell out without such infringement (the amount should not be over the corresponding one that the trademark owner or exclusive user is able to utilize.) when the trademark owner or exclusive user asks for damages for their losses from the persons who deliberately or carelessly infringed their trademark rights or exclusive rights. If the whole or partial transferred quantity is that the one that the trademark owner or exclusive user is unable to sell, the corresponding quantity should be deducted; (2) the damages for losses that the trademark owner or exclusive user suffer shall be determined based on the profits which the infringer got by infringement when the trademark owner or exclusive user asks for compensation for their losses from the persons who deliberately or carelessly infringed their trademark rights or exclusive rights; (3) the trademark owner or exclusive user has the right to choose the money they paid for trademark registration as damages that the infringer ought to pay because of their planned or careless infringement; (4) the former provision has no prevention to the request of the damages more than the amount of same item. For the person who infringes trademark rights or exclusive rights by accident or has no material fault, the court is required to take the amount of damages into reasonable consideration. Article 39 shows that the provisions (judgement for fault) in Article 103 of Patent Law applies to the infringement on trademark rights or exclusive rights [2].

It is clear after analysis that Japanese Trademark Law formulates a much definite rule for damages for infringing trademarks which specifies different compensatory methods for various trademark infringements possibly occurring in reality and the calculating mode for damages, even counts details of the rule for situation deserving deduction in. In addition to the quite strong feasibility in practice, the legislation like this reduces the possibility that the judges make decisions at their will, makes the trial results for similar cases of trademark infringement have tremendous difference because of being handled by different courts or judges impossible, and lets the related judgments be more objective and fuller of justice. The Japanese Trademark Law attaches great importance to the infringer's subjective fault in the case of trademark infringement as well. The first three items of Article 38 all emphasize that the infringement which happens must be out of the infringer's deliberateness or negligence. And in item (4) it points out that the court shall determine the specific

amount that the trademark infringer should pay in the light of a rational way regardless of the limits of the first three items when the infringer has no deliberate desire or material fault in subjective aspect. Article 39 specially explains the principle of how to judge and decide the cases of trademark infringement which are provoked by negligence, which means the infringer's subjective fault is deemed as a significant factor in figuring damages for trademark infringement. The results for similar cases of trademark infringement given out by the court are likely to be different because the subjective mistakes made by the infringer are not the same. The disposal embodies the spirit that different subjective faults of the infringer should be dealt with differently so that the related court decisions will be more relevant so as to make precaution produce much better efficiency.

3. ANALYSIS ON CHINESE LEGISLATION OF DAMAGES FOR TRADEMARK INFRINGEMENT

There are such stipulations, in Article 63 of Law on Trademarks of the People's Republic of China, that the compensatory amount for infringing trademark's exclusive rights shall be decided based on the practical losses happen to the obligee therefrom; that it will be determined according to the profits the infringer obtains from infringement if it is hard to figure the practical loss; and that it will be confirmed pursuant to rational times of the expense for using the trademark if there is a problem in working the obligee's loss or the profit got by the infringer out. For the severe consequence occasioned by malicious infringement on trademark's exclusive rights, the damages shall be 1-3 times of the money determined on the basis of the former methods. The damages should contain the reasonable expenditure that the obligee uses to stop the behavior of infringement as well. The People's Court shall require the infringer to pay the obligee less than 3 million yuan as compensation in the event that the practical loss happening to the obligee due to infringement, the interests the infringer gains from infringement and the expense paid for license of trademark are hard to be confirmed [2].

Through analysis it is easy to find that Chinese Trademark Law's disposal rules for damages for trademark infringement are much clear and specific. And the damages are determined according to the reasonable sequence of different ways. First, the practical loss of the obligee is taken into account to determine the specific damages if it is easy to be confirmed. If it is opposite, the damages will be considered according to the obligee's profit. And the obligee shall directly receive damages unless the profit the infringer got cannot be figured out. But the damages are allowed to be decided referencing the times of expense for trademark license only the aforesaid two ways all have difficulty in deciding the damages. Such legislation, explaining sequence of compensation, favors to unify the steps and procedures with respect to damages for trademark infringement in reality, is easy for judges to apply and lessens the possibility of judge's free discretionary power, thus making the amount of damages be relatively fair for both the obligee and the infringer. Considering some trademark infringers' terrible subjective evil and serious infringement behavior in practice, it will be hard to reach the ideal efficiency if the damages is worked out based on the first three ways, which will not sanction and punish the trademark infringers with subjective intention in good efficiency and be in favor of remedying the damages for trademark owners. Therefore, the punitive damages have great significance in controlling the planned trademark infringers.

There is a clear legal stipulation that these expenses which the related obligees may pay for investigation, evidence obtainment, attorney's service and the like in order to prevent infringements be counted in the damages, which off course is more helpful for the obligee to keep their rights and can greatly motivate them to protect their legal rights by legal actions as well. That the cases for specific trademark infringement are in a great number and complicated in practice, and the damages of some of them cannot be determined through infringer's profit, obligee's actual loss and cost for trademark license, etc. only permits the People's Court to judge the damages that must be less than 3 million yuan according to the situation. Such rule both solves the trouble that some complicated cases in reality cannot be settled pursuant to the previous modes and reduces the number of the cases whose damages are determined by the first three

approaches as well as has a definite number for the maximum damages. Thus, it limits judge's discretionary power and improves the justice's impartiality.

However, there are also some disadvantages in Chinese Trademark Law. First, it specifies the sequence of judging damages for trademark infringement, which means the later can apply only the former is found not suitable. But a realistic problem is that it takes time to seek for related materials to evidence whether the former modes are appropriate or not. It is undoubted that such stipulation increases cost of a lawsuit and demands a great quantity of human forces and finance. In the meanwhile, trademark owners will less be willing to protect their rights by legal proceedings because they are unable to directly choose the compensating method good to them. In the second place, it is difficult to prove whether the infringement is subjectively deliberate and the standard for it is also not easy to deal with in life in addition to considering if the consequence is desperate, which unquestionably brings a big challenge to the damages determined based on this mode. Ultimately, there is only maximum damages of 3 million yuan mentioned but no minimum one. This range is so large that judges' discretionary power is wide. Therefore, it is much possible to provoke a big gap among court decisions for the similar cases.

4. COUNTERMEASURES AND SUGGESTIONS ON IMPROVING CHINESE LEGISLATION OF DAMAGES FOR TRADEMARK INFRINGEMENT

4.1 Quantitative standard of statutory damages

The current Chinese Trademark Law states the approaches of statutory damages, aiming at damages for trademark infringement, whose positive things is that it can reduce the embarrass when there is difficulty in carrying out compensation based on the first three rules. It appears that the court requires damages less than 3 million yuan to be given by the infringer in the light of situation is precise and reasonable. It however, does not have few questions after a careful analysis. In the beginning, there is an issue of how to measure whether the plot is serious and what is the standard. For this, different judges perhaps adopt different standards and scales. On the one hand, there is no limit for minimum damages except for the maximum one. Such big range plus various plots difficult to deal with intensify judge's uncertainty and casualness of trialing the similar cases, thus the court decision made referencing such approach will be questioned without a doubt. Last, that the maximum limit for statutory damages means the amount of the damages determined based on this method is prohibited from being over three million yuan is more likely to be taken advantage of by lawless persons of trademark infringement. After considering and finding the interests to be obtained from trademark infringement will be over three million yuan, they would like to take the amount as their cost to break law, thus encouraging such persons to do more trademark infringements in return. Accordingly, it is proposed that the existing statutory compensation standard be quantitative so that this compensatory approach will be more operable and practical after being specified standard and calculation, so as to make every court decision objective and just.

4.2 Empowering the plaintiff to choose legal compensatory approaches

It is known that China's Trademark Law takes more time and costs to file a lawsuit and then decreases efficiency and puts more setbacks on the plaintiff's initiative to protect their legal rights since it stipulates that mode used to claim damages for trademark infringement must be chosen in sequence, and the following one can be adopted only the previous one is not suitable or difficult to apply, which does not give the plaintiff direct right to choose whatever legal compensatory method they want when compared with America's Lanham Law which states that the plaintiff is

able to directly choose whatever legal compensatory way they need in some circumstances gives them more freedom to make options, which is good to helping them restore their damaged rights in good time and meaningful to crack down behaviors of trademark infringement in practice. In that case, it is suggested to borrow the successful experience from the United States to make a direct rule that lets the plaintiff have the right to choose whatever compensatory approach they need in some conditions so as to encourage them to proactively protect their rights, which can help the plaintiff restore their rights as soon as possible. The time for them to perform the right can be before the first-instance judgement.

4.3 Specifying the standard for punitive damages

Though that Chinese Trademark Law indicates the punitive damages is applicable to the heavy malicious trademark infringers has a remarkable significance to punish those infringers and better protect the rights of the trademark owners, the substantial questions are how to understand the word maliciousness and what is the standard for judging it? The existing law has no clear definition for it. And "Chinese legal system for infringement responsibility defines infringers' fault as deliberation and negligence, but seldom refers to the world of maliciousness [3]." So, what is the relationship among the deliberation, the negligence and the maliciousness is? The theoretical community basically has reached a consensus in understanding of deliberation and negligence but holds different views in that of maliciousness. As a result, there is some trouble in deciding whether the punitive damages is appropriate for some cases of trademark infringement in life, thus making the effectiveness of it suffer a big discount [4,5]. The Japanese Trademark Law is worthy of chinese learning because it has a terrifically clear and specific stipulation for the subjective fault of the person doing trademark infringement and is easy to apply. The suggestion is to precisely define the subjective fault of the infringer in the approach of punitive damages, namely, to give a specific definition to the connotation and standard for judgement of the word maliciousness as well as to formulate a standard deciding whether the consequence is serious or not. Only in this way can the mode of punitive damages better display the function it should have.

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