SPC Guiding Case No. 46: Shandong Lujin Industrial Co., Ltd. v. Juancheng Lujin Handicraft Co., Ltd. and Jining Lizhibang Home Textile Co., Ltd. (Trademark Infringement and Unfair Competition Dispute)

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Unofficial English translation prepared for reference only. The official Chinese text prevails.

Discussed and adopted by the Judicial Committee of the Supreme People's Court; issued on April 15, 2015.

Keywords

Civil / trademark infringement / unfair competition / generic name of goods

Holding

In determining a generic name of goods with regional characteristics, attention should be paid to comprehensive analysis from the following aspects: (1) the name has become established by usage in a certain region or field through long-term and widespread use and is recognized by the relevant public; (2) the production process of the goods referred to by the name has been formed through the long-term joint labor practice of the masses in a certain region or field; and (3) the production raw materials of the goods referred to by the name are commonly produced in a certain region or field.

Basic Facts

The plaintiff, Shandong Lujin Industrial Co., Ltd. ("Lujin"), alleged as follows. The defendants, Juancheng Lujin Handicraft Co., Ltd. ("Juancheng Lujin") and Jining Lizhibang Home Textile Co., Ltd. ("Lizhibang"), produced and sold in large quantities Lujin products marked with the words "Lujin," infringing its exclusive right to use the "Lujin" registered trademark. Juancheng Lujin's enterprise name contained the words of the plaintiff's "Lujin" registered trademark, misleading consumers and constituting unfair competition. "Lujin" was not a generic name. It requested the court to order the two defendants to bear the legal liability for trademark infringement and unfair competition.

The defendant, Juancheng Lujin, argued as follows. Before the plaintiff Lujin was incorporated and before the Lujin trademark was registered, "Lujin" had already become a generic name. According to the relevant provisions, its use was "fair use" and did not constitute trademark infringement or unfair competition.

The defendant, Lizhibang, did not file a defense in the first-instance trial, and appealed at second instance, claiming that "Lujin" was the generic name for folk pure-cotton hand-woven textiles in the southwestern Shandong region, that it did not know that "Lujin" was Lujin's registered trademark, and that it had ceased the relevant use after receiving the complaint, so it should not bear compensation liability.

The court found upon trial as follows. The predecessor of Lujin, Jiaxiang County Ruijin Folk Handicraft Factory, obtained on December 21, 1999 the "Lujin" word trademark with registration No. 1345914, valid from December 21, 1999 to December 20, 2009, for use on Class 25 goods, namely clothing, shoes and hats. Lujin further obtained on November 14, 2001 the combined trademark "Lj+LUJIN" with registration No. 1665032, valid from November 14, 2001 to November 13, 2011, for use on Class 24 goods, namely "textile fabrics, cotton fabrics, fabrics for underwear, gauze, textiles, toweling, non-woven fabrics, bath towels, bed sheets, textile furniture covers, etc." Jiaxiang County Ruijin Folk Handicraft Factory changed its name to Jiaxiang County Lujin Industrial Co., Ltd. on February 9, 2001, and later to Shandong Lujin Industrial Co., Ltd. on June 11, 2007.

After obtaining the exclusive right to use the “Lujin” registered trademark, Lujin publicized its products and registered trademark on multiple media outlets, and in March 2006 was admitted as a member unit by the “China Time-Honored Brand” working committee. Through years of effort and long-term extensive advertising and market promotion, Lujin’s “Lujin”-brand series products, especially “Lujin”-brand clothing, enjoyed a certain degree of recognition domestically. On November 16, 2006, the “Lujin” registered trademark was assessed as a Shandong Province Famous Trademark.

In March 2007, Lujin purchased from the Lizhibang Lujin specialty store goods produced by Juancheng Lujin that were identical or similar to the goods approved for use under Lujin’s registered trademark. The labels (hang tags), packaging boxes, packaging bags and storefront of the goods all carried the words “Lujin.” On the storefront, “Lujin” had been prominently enlarged for use, and the seal stamped on the invoice it issued was the official seal of Lizhibang.

Juancheng Lujin was established on March 3, 2003, and the trademark used on its products was the “Jingyifang word + device” combined trademark, which had been applied for registration but not yet approved. In September 2007, Juancheng Lujin applied to revoke Lujin’s registered “Lujin” trademark No. 1345914, and the Trademark Review and Adjudication Board of the State Administration for Industry and Commerce accepted the application but had not made a ruling.

The first-instance court, upon application by Lujin, lawfully carried out evidence preservation against Juancheng Lujin and Lizhibang, and found that the two defendants held large quantities of goods identical or similar to the goods approved for use under the “Lujin” registered trademark, and that the labels (hang tags), packaging boxes, packaging bags, price tags and storefronts of the goods all carried the words “Lujin” of the plaintiff’s registered trademark. On the labels (hang tags), packaging boxes and packaging bags of the alleged infringing goods, the words “Lujin” had been enlarged and prominently used as the name or decoration of the goods, and the packaging bags did not identify the manufacturer or its address.

It was further found that southwestern Shandong folk brocade was a kind of Shandong folk pure-cotton hand-woven textile, named for its brilliant and colorful patterns resembling brocade, with a history of over a thousand years in the southwestern Shandong region, and was part of the long-standing Qilu culture. Beginning in the mid-1980s, southwestern Shandong brocade began to be developed and utilized. On January 8, 1986, the “Exhibition Report Meeting on Southwestern Shandong Brocade and Modern Life” was held in Jinan. On August 20, 1986, the “Lujin and Modern Life Exhibition” was held at the Beijing National Culture Palace. Around 1986, People’s Daily, Economic Reference, Farmers’ Daily and other newspapers and periodicals published special reports on “Lujin,” and CCTV and Shandong TV also filmed multiple special features on “Lujin.” From then on, “Lujin” was widely used as the generic name for Shandong folk hand-woven cotton textiles. Thereafter, the research, development and production of Lujin gradually spread and continued to grow. On November 15, 1987, to promote the further integration of Lujin culture with modern life, the Canadian International Development Agency (CIDA) and the All-China Women’s Federation jointly held a bilateral cooperation project, the training class of the Juancheng Yangtun Women’s Lujin Textile Cooperative, in Yangtun Village, Juancheng County.

The local history and chronicle materials of Shandong Province and Jining, Heze and other places, when discussing history, local specialties or traditional crafts, also recorded “Lujin” in many places, all holding that “Lujin” was a traditional textile product with cotton yarn as the main raw material popular in the vast rural areas of the southwestern Shandong region, and was one of the main folk art varieties of Shandong. Relevant reference books and publications also introduced “Lujin” in many places, all holding that “Lujin” was Shandong folk hand-woven floral cotton cloth, with cotton as the main raw material, hand-woven, dyed and woven, commonly called “homespun” or “hand-woven cloth,” and because the cloth was colorful and splendid, like brocade and embroidery, it was called “Lujin.”

On December 25, 1995, the Shandong Provincial Administration of Cultural Heritage issued the Reply on the Construction of the “China Lujin Museum,” agreeing that the Heze Regional Culture Bureau establish the

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“China Lujin Museum” in Juancheng County. On December 23, 2006, the Shandong Provincial People’s Government announced the first batch of provincial-level intangible cultural heritage, among which the “Lujin folk handicraft technique” declared by the Shandong Provincial Department of Culture, Juancheng County and Jiaxiang County was assessed as intangible cultural heritage. On June 7, 2008, the State Council, by document Guo Fa [2008] No. 19, determined that the “Lujin weaving technique” declared by Juancheng County and Jiaxiang County of Shandong Province was included in the second batch of national-level intangible cultural heritage list.

Judgment

On August 25, 2008, the Intermediate People’s Court of Jining City, Shandong Province rendered Civil Judgment (2007) Ji Min Wu Chu Zi No. 6: (1) Juancheng Lujin shall, from the effective date of this judgment, immediately cease using “Lujin” as the name or decoration of the goods on the Class 25 clothing series goods it produces and sells, and shall, within 30 days from the effective date of this judgment, remove the words “Lujin” marked on its existing alleged infringing products; and Lizhibang shall immediately cease selling the alleged infringing goods produced by Juancheng Lujin. (2) Juancheng Lujin shall, within 15 days from the effective date of this judgment, compensate Lujin for economic losses of RMB 250,000; and Lizhibang shall compensate Lujin for economic losses of RMB 10,000. (3) Juancheng Lujin shall, within 30 days from the effective date of this judgment, change its enterprise name, and the changed enterprise name shall not contain the words “Lujin”; and Lizhibang shall, from the effective date of this judgment, immediately remove the words “Lujin” from its storefront. After the judgment was pronounced, Juancheng Lujin and Lizhibang appealed. On August 5, 2009, the Higher People’s Court of Shandong Province rendered Civil Judgment (2009) Lu Min San Zhong Zi No. 34: the Civil Judgment (2007) Ji Min Wu Chu Zi No. 6 of the Intermediate People’s Court of Jining City, Shandong Province was revoked; and Lujin’s claims were dismissed.

Reasoning

The effective judgment held as follows. Based on the facts of this case, it could be found that, before Lujin registered “Lujin” as a trademark in 1999, it was already the generic name for Shandong folk hand-woven cotton textiles, and the “Lujin” weaving technique was intangible cultural heritage. The acts of Juancheng Lujin and Jining Lizhibang did not constitute trademark infringement or unfair competition.

First, “Lujin” had become a generic name for cotton textiles with regional characteristics. A generic name of goods refers to the usual designation of a certain good established by industry norms or by public usage. The generic name may be a designation prescribed by industry norms or an abbreviation established by public usage. Lujin referred to southwestern Shandong folk pure-cotton hand-woven brocade, whose patterns were brilliant and colorful, like brocade, with a history of over a thousand years in the southwestern Shandong region. “Lujin,” as the generic name for hand-woven textiles with Shandong characteristics, was recognized by national mainstream media, various professional newspapers and Shandong Province news media, and the chronicle materials at the province, city and county levels of Shandong Province, Jining, Heze, Jiaxiang and Juancheng all recorded “Lujin” as the “new name” for traditional southwestern Shandong folk brocade, and relevant reference books on arts and crafts also confirmed that “Lujin” was a folk pure-cotton hand-woven textile produced in Shandong. The “Lujin” weaving technique had a long history, and when “Lujin” was mentioned, what people thought of was the traditional and long-standing Shandong folk hand-woven cotton textiles and their weaving technique. The “Lujin weaving technique” was determined as national-level intangible cultural heritage. The pure-cotton hand-weaving production technique represented by “Lujin” was not invented by any natural person or enterprise legal person, but formed through the long-term labor practice of the masses in the Shandong region, especially the southwestern Shandong region. The production raw materials of the pure-cotton hand-woven textiles represented by “Lujin” were likewise not specifically planted by any natural person or enterprise legal person, but were cotton widely planted in unspecified areas of Shandong. Since the mid-1980s, through extensive media publicity, “Lujin”

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had become the generic name for Shandong folk hand-woven textiles with cotton as the main raw material, hand-woven, dyed and woven, and had become common in the textile industry of the Shandong region and accepted by the relevant public. In conclusion, it could be found that “Lujin” was the generic name for folk pure-cotton hand-woven textiles in the Shandong region, especially the southwestern Shandong region.

As to Lujin’s claim that the name “Lujin” lacked extensiveness, because old coarse cloth was also produced in other parts of China but was not called “Lujin.” The court held in this regard that, for a generic name of goods with regional characteristics, the determination of its extensiveness should be based on the specific production area and the relevant public, rather than on the whole country. The fact that hand-woven cotton textiles of other provinces of China were not called “Lujin” did not affect the fact that “Lujin” specifically referred to the folk hand-woven cotton textiles unique to the Shandong region. As to Lujin’s claim that “Lujin” lacked scientific validity, because cotton textiles should be called “mian” (cotton) rather than “jin” (brocade). The court held in this regard that the determination of a name was not necessarily related to whether it conformed to science; for a name already accepted by the relevant public, with clear reference and established by usage, even if it had unscientific aspects, this did not affect its becoming a generic name. As to Lujin’s further claim that “Lujin” lacked universality, because some operators and consumers in Shandong Province called this folk hand-woven cotton textile “cubu” (coarse cloth) or “laotubu” (old homespun). The court held in this regard that the appellation “Lujin” was a new name determined in the mid-1980s, and after years of publicity and use, it was now known to and accepted by the relevant public. The existence of old names such as “cubu” and “laotubu” did not affect the determination of “Lujin” as a generic name.

Second, where a registered trademark contains the generic name of the goods, the owner of the exclusive right to use the registered trademark has no right to prohibit others from fair use. Article 49 of the Implementation Regulations of the Trademark Law of the People’s Republic of China provides: “Where a registered trademark contains the generic name, graphics or model of the goods, or directly indicates the quality, main raw materials, function, use, weight, quantity or other characteristics of the goods, or contains a place name, the owner of the exclusive right to use the registered trademark has no right to prohibit others from fair use.” The main function of a trademark is identification, that is, consumers can distinguish the providers of the corresponding goods and services by different trademarks. The purpose of protecting trademark rights is to prevent confusion over the source of goods and services. Because Lujin’s “Lujin” word trademark and “Lj+LUJIN” combined trademark were consistent with “Lujin” as the generic name for Shandong folk hand-woven cotton textiles, the distinctive distinguishing feature they should have possessed tended to be weakened. Although “Lujin” was not the generic name for Lujin clothing, it was the generic name for Shandong folk hand-woven cotton textiles. The trademark registrant enjoyed no exclusive right over the generic-name part of a trademark, and this did not affect others’ fair use of “Lujin” as a generic name. In the southwestern Shandong region, there were many manufacturers producing bedding, handicrafts and clothing using Lujin as the fabric, and these manufacturers could all fairly use the “Lujin” name and descriptively indicate on their products that the fabric used was Lujin.

In this case, Juancheng Lujin used the words “Lujin” on the packaging boxes and packaging bags of the products in issue it produced. Although it used the generic name of goods contained in Lujin’s trademark on its goods, it was only to indicate that its products used Lujin fabric and that its production technique had Lujin characteristics, did not have the subjective bad faith of infringing Lujin’s exclusive right to use the “Lujin” registered trademark, and was not used as a commercial identifier; it was fair use, and therefore should not be found to constitute infringement of the exclusive right to use the “Lujin” registered trademark. For the same reason, Juancheng Lujin’s use of the words “Lujin” in its enterprise name was also fair use and did not constitute unfair competition. Lizhibang, as a specialty store of Lujin products, likewise had the right to use the words “Lujin” and did not constitute infringement of the exclusive right to use the “Lujin” registered trademark.

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In addition, Lujin's "Lujin" word trademark and "Lj+LUJIN" combined trademark had been approved for registration by the State Trademark Office and approved for use on Class 25 and Class 24 goods, and the exclusive right to use the registered trademark should be protected by law. Although Juancheng Lujin filed an application to revoke the trademark, before the Trademark Review and Adjudication Board of the State Trademark Office revoked it, the aforesaid valid registered trademark should still be protected by law. Given that "Lujin" was a registered trademark, in order to regulate market order and protect fair competition, Juancheng Lujin, while using the words "Lujin" in the future to indicate the nature of the fabric of its products, should reasonably avoid Lujin's exclusive right to use the registered trademark, and should prominently use its own "Jingyifang" trademark on its product packaging to clearly distinguish the source of the products and facilitate consumer identification.

Relevant Legal Provisions

Article 59 of the Trademark Law of the People's Republic of China.

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