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Features of trademark laws and cases in major Asian jurisdictions

*Kung-Chung Liu*¹

Purposes, limitations, and topics

Trademark law is probably the most internationally harmonised area of intellectual property (IP) law, with more than a dozen international treaties and agreements signed. However, the harmonisation is mostly procedure-oriented, and substantive trademark laws of national states still differ in significant respects. How then are the trademark landscapes here in Asia? And how are the trademark laws in Asia?

As the largest and fastest-growing market on earth, while at the same time being the world factory (for both legitimate and illegitimate goods), Asia has almost unavoidably become frequently associated with “rampant piracy”. That said, it is also undeniable that the trademark landscape in Asia has undergone a sea change, at least since the publication in 2000 of *The Protection of Well-Known Marks in Asia* (Christopher Heath and Kung-Chung Liu, Kluwer International Law). Who could have imagined back then that China would have annual trademark applications of a staggering 5.784 million in 2017 (a 55.7% increase compared with 2016), far more than the total number in the rest of the world?² Growing interest in trademarks can also be observed in the city-country of Singapore: it registered 50,218 trademarks (9,224 owned by Singaporeans and 40,994 by foreigners) in 2015 and 53,000 trademarks (10,432 owned by Singaporeans, and 42,568 by foreigners) in 2016.³

With regards to trademark laws in Asia, there has been little or no study to date on a cross-jurisdictional level. As the third book in the “Annotated Leading IP Cases in Major Asian Jurisdictions” trilogy organised by the Applied Research

1 The author would like to thank Haoran Zhang, PhD student at Renmin University of China, for his help in finding and analysing trademark laws from PRC, Japan, and Korea.

2 As of the end of 2017, In China there are a total of 173 million accumulated registered trademarks, among which 149.2 million are currently valid. See www.chinanews.com/cj/2018/01-18/8427846.shtml.

3 See IPOS 2016–2017 Annual Report, 46, available at: [www.ipos.gov.sg/docs/default-source/about-ipos-doc/annual-reports/ipos-ar-2016-2017-\(amended\).pdf](http://www.ipos.gov.sg/docs/default-source/about-ipos-doc/annual-reports/ipos-ar-2016-2017-(amended).pdf). However, the number of registered trademarks in Singapore in 2017 dropped to 37,030 (8,595 owned by Singaporeans, and 28,435 by foreigners). See IPOS Annual Report 2017–2018, available at: [www.ipos.gov.sg/docs/default-source/about-ipos-doc/annual-reports/ipos-ar\(spread\).pdf](http://www.ipos.gov.sg/docs/default-source/about-ipos-doc/annual-reports/ipos-ar(spread).pdf).

Centre for Intellectual Assets and the Law in Asia (ARCIALA), School of Law Singapore Management University, this volume is aimed at filling this vacuum with a more comprehensive and updated study.⁴ Admittedly, given the diverse and complex legal backgrounds of Asian trademark laws, a single-volume monograph or treatise such as this can at best provide some snapshots by choosing and analysing some of the key principles that best reflect Asian features, by following the seven-chapter structure of the first book of the trilogy:⁵ namely “use of trademarks/likeness of confusion on the Internet”, “use of market survey evidence in solving trademark disputes”, “limitations of trademark rights”, “protection of well-known marks”, “infringement and damages”, and “choice of jurisdiction and applicable law in trademark litigation”.

As it turns out, Part 4, *Limitations of trademark rights* is the longest, with nine case reports, and more or less reflects the tension between trademark rights and other competing interests. The parts that have the second highest number of case reports are Parts 5 and 6, *Protection of well-known marks* and *Infringement and damages*, respectively; each has eight case reports. Wherever appropriate, case reports within one part are further grouped under subtopics. So, for example, Part 4, *Limitations of trademark rights*, consists of three subtopics, namely international exhaustion, fair use, and compulsory trademark licensing. This systematic arrangement of case reports is aimed at revealing their internal logic/relatedness and enhancing the usefulness of the book.

As part of ARCIALA’s efforts to promote the study of Asian IP laws amongst IP scholars as widely as possible, the present volume permits 34 eminent Asian and European scholars and practitioners to write on 37 leading recent decisions from nine major Asian jurisdictions: People’s Republic of China (PRC), India, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, and Taiwan.⁶ These leading cases are principally the most authoritative decisions, usually the first to deal with certain new emerging issues, or the first to apply particular statutory provisions in the respective jurisdiction. Also included are a small number of direction-changing, outlying or even controversial decisions. To coordinate this number of experts (most of whom do not use English as their mother language) and to maintain a uniform style and level of quality among this number of cases has been a daunting task.

Each case report is divided into six sections: summary, legal context, facts, reasoning of the court, legal analysis, and commercial or industrial significance. The purpose of this structure is to give readers both an overview of the legal context and how those cases are to be interpreted legally and commercially.

4 ARCIALA has helped the publication of the following two trademark-related books that have strong Asian input: Irene Calboli/Jacques De Werra (ed.), *The Law and Practice of Trademark Transactions*, EE, 2016; Irene Calboli/Edward Lee (ed.), *Research Handbook on Intellectual Property Exhaustion and Parallel Imports*, EE, 2016.

5 Kung-Chung Liu (ed.), *Annotated Leading Patent Cases in Major Asian Jurisdictions*, City University of Hong Kong Press, 2017.

6 28 cases are from after 2010, seven cases are from 2001–2009, with only one case from 1997 and 1968 respectively.

Introduction to the six parts

Part 2: Use of trademarks/likeness of confusion on the Internet

National trademark regimes vary in their definition and requirement of “trademark use”. US, European Union, and German trademark laws treat differently “right-maintaining (*rechtserhaltende Benutzung*) use” and “infringing use” of a trademark (*rechtsverletzende Benutzung*), with the latter having broader scope than the former. However, Asian trademark laws, such as those of the PRC, Japan, Korea, and Taiwan make no such distinction. Many Asian trademark regimes (including PRC, Indonesia, Korea, and Taiwan) provide that if there has been no use of the registered trademark in trade either since the date of registration or the date of its last use for three consecutive years, this is a ground for removal from the register. In the *Inter IKEA System B.V. v PT. Ratania Khatulistiwa* case, the Indonesian Supreme Court adopted a narrow or even harsh definition of “use in the course of trade of goods and/or services” and ordered the IP Office to remove IKEA’s undoubtedly famous trademark registrations from the register (Prayudi Setiadharna, Chapter 2).

On the other hand, use that is infringing is mostly using other’s trademarks to cause confusion amongst consumers as to whether your goods and/or services are those of the other trademark owner. However, the Taiwan IP Court has held that the two types of “use” are one and the same, and therefore Google, by providing web pages that exhibited search results for firms to place their advertisements, did not use the trademark in dispute as an indicator for goods or services, and hence could not cause a likelihood of confusion. This has been heavily criticised by academics (Kung-Chung Liu, Chapter 3).

To determine whether there exists a likelihood of confusion between two marks, one needs to adopt a step-by-step approach to first discern factually the similarity between the two marks and the similarity between the goods or services that those two marks designate separately, and then make an overall decision on the legal issue of whether there is a likelihood of confusion as a result of those similarities.⁷ In other words, there may be cases of trademark similarity without a likelihood of confusion. The issue of how to determine similarity between two trademarks was dealt with by the Japanese Supreme Court as long ago as 1968: the determination should be based on a comparison of the appearance, meaning, and pronunciation of the two trademarks. Similarity in appearance, concept or pronunciation alone does not automatically lead to similarity of marks in Japan

⁷ Kung-Chung Liu, *Trademark Law A Comparative Treatise* (in Chinese), New Sharing Publishing Company, Taipei, 2014, 203. This is also the approach taken by the Singaporean courts, see David Llewelyn/Ng Hui Ming/Nicole Oh Xuan Yuan, *Cases, Materials and Commentary on Singapore Intellectual Property Law*, Academy Publishing, 2018, 484 et al. However, at least Taiwanese and Korean courts tend to decide the issue of similarity between trademarks from the perspective of whether they are likely to cause mistaken recognition or confusion by consumers. For Korean case law, see Byungil Kim, Chapter 24.

(Christopher Heath, Chapter 4). However, the Taiwanese Supreme Administrative Court unfortunately adheres to its long-held conviction that “so long as there is similarity either in appearance, concept or pronunciation (or sound) between two registered trademarks, they are similar marks.”⁸

With the Internet intruding into many areas of the commercial world, likelihood of confusion on the Internet has become an urgent issue. Prashant Reddy Thikkavarapu (Chapter 5) reports on and analyses how the Indian Supreme Court applied principles of passing off and trademark law to domain names. Thus, it is possible for a domain name owner in India to sue for either trademark infringement or passing off depending on the registration status and reputation of the disputed name.

Part 3: The use of market survey evidence in solving trademark disputes

The market survey (*demoskopisches Umfragen*) has proved to be a useful tool for solving trademark-related disputes in the US,⁹ Germany (since 1939), and the European Union¹⁰ but not in Asia. For example, Chinese courts did not even recognise the admissibility of market surveys as probative evidence until the Michael Jordan case decided by the Supreme People’s Court (SPC) of China in 2016 (Haijun Jin, Chapter 6). Taiwanese courts seldom accept market surveys and there has been only one case in which the Taiwan IP Court commissioned *ex officio* a market survey (Kung-Chung Liu, Chapter 8), and conducting a market survey in Malaysia may turn out to be a waste of time and money (Cheng Peng Sik, Chapter 7).

In Japan, the Intellectual Property High Court did not interpret a questionnaire submitted by parties to demonstrate acquired distinctiveness correctly until a 2008 decision (Yoshiyuki Tamura, Chapter 9), which recognised that some 77% of the respondents precisely identifying the applicant as the origin was sufficient to prove acquired distinctiveness of a 3D mark.

Part 4: Limitations of trademark rights

International exhaustion

With the “propertization” of trademarks, which entails giving powerful exclusive rights to the right holders, the issue of curtailing trademark rights through

8 Kung-Chung Liu, *Trademark Law A Comparative Treatise* (in Chinese), New Sharing Publishing Company, Taipei, 2014, 185.

9 See generally James Berger/Mark Halligan, *Trademark Surveys: A Litigator’s Guide*, Lexis-nexis, 2015.

10 Roland Knaak, *Demoskopische Umfragen in der Praxis des Wettbewerbs- und Warenzeichenrechts*, The German Association for the Protection of Intellectual Property (GRUR), 1986, 45 et al; Andrej Levin, *Der Nachweis der Verkehrsdurchsetzung im Markenrecht*, Peter Lang, 2010, 41–42.

limitations to better protect public interests such as freedom of expression¹¹ and market competition¹² has come to the fore. Part 4 deals with this issue. One important limitation of trademark rights is through the exhaustion doctrine, which can have national, regional, and international scope. The TRIPS Agreement has provided flexibility for members to decide on the exhaustion principle they want to follow in relation to the diverse types of IPRs. International exhaustion is a common limitation of trademark rights in Asia and has undergone changes in the past decades in major Asian economies.¹³ Jurisdictions such as Taiwan and¹⁴ Singapore¹⁵ recognise the international exhaustion principle expressly in their respective trademark laws.

In support of free trade, Singapore adopts the principle of international exhaustion that allows parallel importation. Consequently, the Singapore High Court has taken a liberal interpretation of the term “put on the market,” but has not yet been prepared to include the pre-sale acts of marketing (advertising, promotion etc.), offering for sale and other forms of goods exposure for the purpose of sale (“Susanna H.S. Leong, Chapter 10).

However, Indian, Japanese, Korean, and Malaysian trademark legislation does not explicitly mention the kind of exhaustion principle (parallel import) that should be applied. In what is considered the leading case in India, pending the Supreme Court’s confirmation, the Division Bench of the Delhi High Court held in 2012 that India adopt the principle of international exhaustion regime in the area of trademark law. The Division Bench also discussed in detail the circumstances that might act as an exception to the international exhaustion principle: in particular, situations where the physical condition of the goods has been changed or impaired (Arul George Scaria, Chapter 11¹⁶). In Malaysia, according to a

11 Martin Senfileben et al., Recommendation on Measures to Safeguard Freedom of Expression and Undistorted Competition in EU Trade Mark Law, available at www.ssrn.com/abstract=2496351.

12 See generally Deven Desai/Ioannis Lianos/Spencer Waller, *Brands, Competition Law and IP*, Cambridge University Press, 2015.

13 For example, in 2012 the Taiwanese Trademark Act adopted the stance taken by the Taiwanese Supreme Court that has recognized international exhaustion principle since 1992. See generally Christopher Heath (ed.), *Parallel Imports in Asia*, Max Planck Series on Asian Intellectual Property Law, Volume 9, Kluwer Law International, 2004.

14 Article 36(2) of Taiwanese Trademark Act provides:

Where goods have been put on the domestic or foreign market under a registered trademark by the proprietor or with his consent, the proprietor is not entitled to claim trademark rights on such goods, unless such claim is to prevent the condition of the goods been changed or impaired after they have been put on the market or there exist other legitimate reasons.

15 Section 29(1) of the Singapore Trade Marks Act:

Notwithstanding section 27, a registered trade mark is not infringed by the use of the trade mark in relation to goods which have been put on the market, whether in Singapore or outside Singapore, under that trade mark by the proprietor of the registered trade mark or with his express or implied consent (conditional or otherwise).

16 Actually, the Delhi High Court also expressed the view that differences in service and warranties, differences in advertising and promotional activities, and differences in packaging, or

2009 decision by the High Court, a limited form of international exhaustion defence is available to parallel importers of trademarked goods. Enterprises planning to parallel import into Malaysia trademarked goods need to carry out the necessary due diligence and investigate the economic and legal link between the overseas manufacturer of the products and the proprietor of the trademark in Malaysia. If they are regarded to be in the same group of companies as the owner of the trademark, then it is unlikely that the parallel importation and further dealing with the imported goods would result in a successful infringement action (Lim Heng Gee, Chapter 12).

The Japanese Supreme Court first recognised the legality of parallel importation of genuine goods in relation to trademark rights in 2002, based on the trademark function theory: (1) the trademark has been legally affixed to the imported goods by a trademark right holder or his licensee in a foreign country; (2) the trademark right holder in the foreign country and in Japan are the same person or have a relationship wherein they can be regarded as being legally or economically identical to each other; and (3) the trademark right holder in Japan is able directly or indirectly to control the quality of the imported goods. The Japanese Supreme Court did not discuss other complicated issues such as refilling the products or modifying or transforming the shape or appearance of products (Masabumi Suzuki, Chapter 13). In Korea, the prevailing scholarly view, as well as the Supreme Court, is that parallel importing is allowed so long as it is not likely to harm the functions of trademarks and cause domestic customers to mistake the source or the quality of the goods bearing the trademarks (Won Bok Lee and Kyoung-Shin Park, Chapter 14). Different from Japan, however, if a trademark owner manufactures and sells his branded goods within the territory of South Korea, he can block parallel imports from another country; however, if he does not manufacture his branded goods within South Korea, he cannot block parallel imports.¹⁷

Fair use

In sharp contrast to the wide adoption of the international exhaustion principle as a way of limiting trademark rights, “fair use” as an overarching trademark infringement defence which serves to protect public interests and market

the language of accompanying literature might also act as an exception to the international exhaustion principle. However, this is a weak part of the judgement and the judges were using these examples primarily with the objective of proving that India follows the international exhaustion regime. As those examples are based on case laws in other jurisdictions and do not have much statutory backing, it is expected that they might be modified by the Supreme Court.

17 Byungil Kim, New Developments in Trademark Exhaustion in Korea, in Irene Calboli/Edward Lee (ed.), *Research Handbook on Intellectual Property Exhaustion and Parallel Imports*, EE, 2016, 417.

competition is not widely accepted or used in Asia,¹⁸ and remains mostly an academic topic.¹⁹ However, some common law jurisdictions such as India and Malaysia stand out from their Asian peers and allow the fair use (“reasonably necessary”) of trademarks by third-party manufacturers of spare parts which are intended to be ancillary or used as an accessory to the core goods of another party (Indian Trade Marks Act section 30(2)(d) and Section 40(1)(e) of the Malaysian Trade Marks Act 1976).²⁰ However, the High Court of Delhi opined that it is not reasonably necessary for the manufacturer of a gasket of a particular size that fits the lid of all pressure cookers manufactured by different manufacturers to indicate, for the benefit of the consumer, that the goods relate to only one particular brand of pressure cookers. (Raman Mittal, Chapter 15). The Indian trademark regime is also advanced in the sense that it deals expressly with comparative advertisements, which treatment however is very much limited under the court’s practice (for more details see Arpan Banerjee, Chapter 27: Trademark rights-infringing comparative advertising in India in Part 6). When India first introduced the statutory concept of “dilution” in Section 29(4) of Trade Marks Act of 1999, it counterbalanced the protection of well-known marks by allowing under the “due cause” condition the protection

18 Section 43(c)(3) of the US Lanham Act (15 USC 1125) foresees an overarching fair use exception to dilution liability:

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection: (A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person’s own goods or services, including use in connection with – (i) advertising or promotion that permits consumers to compare goods or services; or (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner. (B) All forms of news reporting and news commentary. (C) Any noncommercial use of a mark.

Section 28(4) of the Singapore Trade Marks Act does mention “fair use”, but only in a narrow sense when a comparative advertisement is involved: “(4) Notwithstanding section 27, a person who uses a registered trade mark does not infringe the trade mark if such use – (a) constitutes fair use in comparative commercial advertising or promotion”.

19 Kung-Chung Liu, *Trademark Law A Comparative Treatise* (in Chinese), New Sharing Publishing Company, Taipei, 2014, 310.

20 Section 40(1)(e) of the Malaysian Trade Marks Act 1976 provides:

Acts not constituting infringement (1) Notwithstanding anything contained in this Act, the following acts do not constitute an infringement of a trade mark – (e) the use of the trade mark by a person in relation to goods or services adapted to form part of, or to be accessory to, other goods or services in relation to which the trade mark has been used without infringement of the right given or might for the time being be so used, if the use of the trade mark is reasonably necessary in order to indicate that the goods or services are so adapted and neither the purpose nor the effect of the use of trade mark is to indicate otherwise than in accordance with the facts a connection in the course of trade between any person and the goods or services.

Although also being a former British colony, Singapore does not adopt similar provision.

of free speech-related fair use (including fair comment, parody, and criticism) (Renuka Medury, Chapter 16).

In Taiwan, Article 36(1) of the Trademark Act recognises specifically enumerated fair uses of others' trademarks, which do not include a parody defence. Nevertheless, the Taiwan IP Court in a 2014 criminal decision subtly admitted parody as a fair use defence, and even explained the parody test and its standards in detail (Yachi Chiang, Chapter 17). Whether this will be followed and become the dominant view of the IP Court remains to be seen.

Compulsory trademark licensing?

The TRIPS Agreement explicitly disallows members of the WTO to issue compulsory trademark licenses.²¹ However, given diverse constellations of competing interests, it has been contended that there might very well be scenarios in which compulsory trademark licensing is not only justified but also imperative.²² In the PRC, the SPC has in a 2013 decision found trademark infringement by a housing developer, awarded damages, and yet refused to issue an injunction to cease the continued use of the infringing trademark by the developer and residents, making it a *de facto* compulsory trademark license of the trademark at issue (Huaiwen He, Chapter 18).

Part 5: Protection of well-known marks

Well-known trademarks have always exerted a magical influence on people's buying behaviour and are nowadays a very important type of IPR in the era of the online world of the Internet. As a result, the protection of well-known trademarks is a leading demand of the day. Part 5 takes on this burning topic with eight case reports.

Against likelihood of dilution

Some Asian economies do not yet provide protection against dilution of well-known trademarks, such as Indonesia and the Philippines. Some Asian economies,

21 Article 21 (Licensing and Assignment) of the TRIPS Agreement provides:

Members may determine conditions on the licensing and assignment of trademarks, it being understood that the compulsory licensing of trademarks shall not be permitted and that the owner of a registered trademark shall have the right to assign the trademark with or without the transfer of the business to which the trademark belongs.

22 Kung-Chung Liu, The Need of and Justification for a General Competition-oriented Compulsory Licensing, 43 *International Review of Industrial Property and Competition Law*, No. 6 (June 2012), 679–699.

such as India, Japan,²³ Korea,²⁴ Singapore, and Taiwan have explicit provisions in their respective trademark statute against the dilution of well-known trademarks, some do not, such as the PRC and Malaysia. However, in the PRC, according to Article 9(2) of the Judicial Interpretation of Well-known Marks Protection, issued by the People’s Supreme Court (SPC): “[misleading] the public so that the interests of the owner of the registered well-known mark are likely to be impaired” under Article 13(3) of the Trademark Law, includes

the likelihood of leading the relevant public to believe that a substantial degree of relationship exists between the allegedly infringing mark and the well-known mark, so that the distinctiveness of the well-known mark is weakened, or the market reputation of the well-known mark is disparaged or being taken unfair advantages of. (Weijun Zhang, Chapter 19).²⁵

Similarly, Malaysia does not have specific laws protecting against the dilution of well-known trademarks, nor is the word “dilution” found in the Trade Marks Act 1976. However, the Malaysian Court of Appeal in 2017 recognised that the dilution of well-known trademarks is a ground for the Registrar of Trade Marks to refuse the registration of an identical or similar trademark belonging to a third party for different goods or services (Tay Pek San, Chapter 20).

India introduced the concept of dilution in Section 29(4) of the Trade Marks Act, 1999. However to date, there has been no court decision that has dealt with the threshold or reach of the requirement to have “reputation in India.” Noteworthy is that the Indian Supreme Court did allow under the 1958 Trade and Merchandise

23 Article 4 of the Japanese Trademark Act covers dilution, without however using the term “dilution”:

(1) Notwithstanding the preceding Article, no trademark shall be registered if the trademark: (xix) is identical with, or similar to, a trademark which is well known among consumers in Japan or abroad as that indicating goods or services pertaining to a business of another person, if such trademark is used for unfair purposes (referring to the purpose of gaining unfair profits, the purpose of *causing damage to the other person, or any other unfair purposes*, the same shall apply hereinafter) (except those provided for in each of the preceding items).

24 The Korean Trademark Act (Amended by Act No. 14689, Mar. 21, 2017) Article 34 (Trademarks Ineligible for Trademark Registration) provides:

(1) Notwithstanding Article 33, none of the following trademarks shall be registered: 11. Any trademark likely to cause confusion with goods or business of another person remarkably recognized by consumers or to *dilute* their distinctiveness or reputation.

25 It is understandable that SPC adopts judicial activism to fill the gap left by the inactive legislative branch (National People’s Congress convenes only once in a year). However, the gap-filling function has not been done through adjudication but through quasi-legislative activities, such as issuance of all kinds of judicial interpretations, regulations, etc. For more details and critique see Kung-Chung Liu/Haoran Zhang, Assessment and Critique of the Views of the SPC on IP Laws and the Ways through Which SPC Expresses Its Views (in Chinese), *Intellectual Property* (May 2018), 40–51.

Marks Act, which identified and determined dilution, if any, under the general rubric of “passing off” that itself required the presence of confusion, that fame acquired in a niche geographical area, rather than the whole of India, suffices for a finding that reputation and goodwill has been harmed (Renuka Medury, Chapter 21).

In Taiwan the introduction of protection against dilution by the Trademark Act was modelled on the US Federal Trademark Dilution Act of 1995, evolving also from the requirement of “actual dilution” in 2003 to that of “likelihood of dilution” in 2010, as the US did with its Trademark Dilution Revision Act of 2006. However, like US courts, the Taiwan IP Court decisions have struggled with the notion of dilution and have tended to treat likelihood of confusion and likelihood of dilution as mutually interchangeable, among other deficiencies, neglecting the historical fact that the “likelihood of dilution” was developed to cover what “likelihood of confusion” was not able to cover, namely the situation where although there is no “likelihood of confusion” as to the source of the trademarked product or service, the distinctiveness or reputation of a well-known mark is nevertheless being whittled away or taken unfair advantage of (Kung-Chung Liu and Fa-Chang Cheng, Chapter 22).

Against registration of confusingly similar trademarks

The Indonesian Supreme Court in a 2016 decision confirmed that bad-faith registration of well-known marks, among others, is not subject to a time limit for filing a cancellation lawsuit, which in turn influenced the 2016 Law of Trademarks and Geographical Indications to list “bad-faith registration” as one of the grounds for cancellation that are exempt from the time limit for filing a cancellation lawsuit (Prayudi Setiadharna, Chapter 23).

Against unfair competition

The protection of well-known trademarks can also be realised under unfair competition law as well as trademark law, as trademark law was developed under the umbrella of unfair competition law.²⁶ This can lead to overlapping or double protection by trademark law and unfair competition law. Taiwan decided to avoid this problem after years of trial and error, by stipulating clearly since 2015 that its Fair Trade Act deals only with the protection of unregistered marks commonly known to the public against a likelihood of confusion.²⁷ By contrast, in Korea

26 However, in Indonesia, while in general unfair business competition is regulated under the Law on Anti-Monopoly and Unfair Business Competition, and the law expressly excludes IPR-related arrangements from its rules and restrictions, protection against unfair business competition alongside consumer protection has been the primary consideration of virtually each and every national trademark law that Indonesia has enacted since 1961. For more see Prayudi Setiadharna, Chapter 23.

27 Article 22(2) of the Taiwanese Fair Trade Act provides:

The provisions of the preceding paragraph are not applicable to the personal name, business or corporate name, or trademark of another, or container, packaging, or appearance

the scope of protection for indications is much broader under the Unfair Competition Prevention and Trade Secret Protection Act (UCPTSPA) than under the Trademark Act (TMA), and protection under UCPTSPA is available both for registered and unregistered marks which are widely known, while the TMA protects only registered well-known marks. In addition, the TMA can protect marks only within the scope of the identity/similarity of marks and identity/similarity of goods requirements. Protection under the UCPTSPA can also be afforded against the use of the same or a similar mark for dissimilar goods (also so in Japan).

However, in a 2013 case in Korea which involved the notorious Viagra's diamond shape and blue colour registered as a three-dimensional trademark and a generic version product which was almost a carbon-copy of Viagra, the Korean Supreme Court rightly ruled that despite some commonalities in form, the appellations written on the packaging and the generic products themselves, as well as the trademark and company name on the generic products, plus the fact that most generic products are provided by pharmacists under prescriptions from doctors at hospitals, all make it difficult to establish that the generic products are likely to cause mistaken recognition or confusion by consumers (Byungil Kim, Chapter 24).

In the Philippines, according to its IP Code, confusing similarity to a well-known mark is recognised as a ground to refuse registration of a trademark, and both trademark infringement and unfair competition causes of action may be available when there is a likelihood of confusion between the marks, general similarity in the appearance of the goods, and intent by the defendant to pass off its goods as that of the plaintiff. The Filipino Supreme Court in a 2004 decision recognised that the element of "confusing similarity" need not necessarily lie in the trademarks but may appear in the "devices or words used on the wrappings"; proof of actual fraudulent intent is not necessary but an intent to deceive and defraud may be inferred from the similarity of the appearance of the goods as offered for sale to the public (Alex Ferdinand S. Fider, Chapter 25).

Against abuse of registered trademarks

As a general rule, a trademark registration is subject to revocation or invalidation up to a certain timeframe (for example, five years since registration in PRC, Japan, and Taiwan, and three or five years since registration in Korea). In Japan, Article 47(1) of the Trademark Act gives registered trademarks against which no requests for invalidation trial have been filed during the five-year period incontestable validity. However, after the expiration of the five-year timeframe, an unregistered well-known trademark owner accused of infringement is still entitled to a new

of another's goods, or any other symbol that represents such person's goods, as referred to in the preceding paragraph, if that enterprise has obtained a legally registered trademark.

abuse of right defence according to a 2017 Supreme Court decision (Masaharu Miyawaki, Chapter 26). By contrast, the PRC and Taiwan specifically provide in their respective trademark statutes (Article 45(1)²⁸ and Article 58(2))²⁹ that well-known trademarks are not subject to the five-year timeframe and their owners can still file for revocation after the expiration of five years if the later applicant filed for registration in bad faith.

Part 6: Infringement and damages

Infringement

The most classical form of trademark infringement is likelihood of confusion as to the source or origin of the goods or services. Dilution is another form of trademark infringement on the rise. Unexpectedly, in India disparaging and denigrating comparative advertising has been considered as another major form of trademark infringement, as Indian courts place strict limits on comparative advertising and allow unnamed traders or trademark owners to bring an action in situations where their rival products are generically disparaged (Arpan Banerjee, Chapter 27).

The popularity of online markets/electronic marketplaces or platforms is plagued by counterfeit and pirated products. This leads to the legal issue as to whether and to what extent internet platforms should be subject to secondary trademark infringement/liability. While most Asian trademark regimes do not have express provisions on this issue and some chose to regulate it with other laws,³⁰ courts in Korea have applied Article 760 of the Korean Civil Code, which

28 Article 45(1) of the Chinese Trademark Act prescribes:

Where a registered trademark stands in violation of the provisions of Article 13 paragraph two and three, Article 15, Article 16 paragraph one, Article 30, Article 31, or Article 32 of this Law, the earlier right owners or any interested party may, within five years from the date of registration, request the Trademark Review and Adjudication Board to declare the registered trademark invalid. Where the registration has been made in bad faith, the owner of a well-known trademark shall not be bound by the five-year time limit.

29 Article 58 of Taiwanese Trademark Act provides:

(1) No invalidation shall be filed, or no proposal for an invalidation shall be submitted, against a trademark registration on the grounds that such registration falls under Subparagraph 1 or 3 of Paragraph 1 of Article 29, any of Subparagraphs 9 through 15 of Paragraph 1 of Article 30, or Paragraph 3 of Article 65 if the registration has at that date been published for not less than five years.(2) The period referred to in the preceding paragraph shall not apply to the invalidation against a trademark registration on the grounds that such registration falls under Subparagraph 9 or 11 of Paragraph 1 of Article 30 if the registration was applied for in bad faith.

30 Japan and PRC include provisions on the liabilities of intermediaries not in trademark law, but elsewhere. In Japan, the platforms are broadly exempted from liability and are only liable when they actually know or should know of the infringement (Article 3 of *Act on the*

provides for liability of joint tortfeasors by incitement or abetting, to solve the issue. In 2012, the Korean Supreme Court decided for the first time that a market operator has no duty of censorship, filtering, and monitoring etc., that secondary liability is only acknowledged when it knew or had reason to know of the infringing act and had specific means to prevent or eliminate the infringing activities of individual sellers, and that it has a certain duty of care to take appropriate measures to prevent trademark infringement on its website (Byungil Kim, Chapter 28).

Whether, and to what extent, an exclusive licensee of a trademark can exclude the trademark owner from exploiting the trademark should depend on the licensing agreement. However, when there is no licensing agreement between the exclusive licensee and the “beneficial owner of the mark” (who was not yet the actual owner prior to the transfer and rectification be made with the registry of trademarks), can the former assert that its licensing agreement with the previous trademark owner is proprietary and therefore exclude the latter? This issue was answered in the negative by the Singapore Court of Appeal in a 2105 decision. It was decided also that nor can the exclusive licensee rely on Section 42(5) TMA, which provides that a license to use a trademark is binding on every successor in title to the grantor’s interest, as that is only operative where a successor in title acquires an interest in the registered trademark subsequent to the grant of the license (Sue-Ann Li, Chapter 29).

Defence against damages

In the Asian jurisdictions observed here, there are some unique defences against the award of damages after the establishment of trademark infringement. One can find a general “no trademark use” defence in the PRC and one specific non-award of damages defence against a claim for lost royalties in Japan. Both were rooted in the basic compensatory principle of their respective and yet common tort law, namely that there should be no damages if there is no actual harm or loss.

The PRC, reacting to some distorted hypes in the trademark landscape, has developed some specific trademark provisions not found elsewhere in Asia. One recent example is that the 2013 amendment to the Trademark Law in Article 14 (5) provides that “No manufacturers and business operators may indicate the words ‘well-known trademark’ upon the goods, the packaging or the containers of the goods, nor may they use the same for advertising, exhibition or other commercial activities.” Violators “shall be ordered to make correction by the relevant local administrative department for industry and commerce, and be imposed with a

Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders). PRC establishes “notice and take-down” rule in the E-Commerce Law to determine the secondary liability of the intermediary, namely joint liability with the infringer when the intermediary becomes aware of the infringement (Articles 42 and 45).

fine of RMB 100,000 yuan (Article 53).” This seems to indicate a swing back from the extremes of euphoria for protecting and publicising well-known trademarks³¹ to the extreme of no publicity for them.

Another example is the fact that the Trademark Law established a “no use, no compensation by damages” defence principle in 2013:

Where the holder of the exclusive right to use a registered trademark claims for damages, and the alleged infringer counterclaims that the right holder has never used the registered trademark, the people’s court may require the right holder to provide evidence of its actual use of the registered trademark during the past three years prior to the lawsuit. The alleged infringer shall not be liable for damages if the right holder is neither able to prove its actual use of the registered trademark during the past three years prior to the lawsuit, nor able to prove other losses suffered as a result of the infringement (Article 64(1)).³²

In a 2015 decision, the Shanghai Higher People’s Court ruled that if a trademark owner without sincere intention to use his trademark filed a series of lawsuits just for making profits from compensation, his expenses for lawsuits should not be compensated as “reasonable expenses for stopping the infringing act” prescribed by the Trademark Law (Li Chen, Chapter 30). The change was a backlash against the rise of trademark speculators (or trolls) in the PRC who file trademarks for the purpose of reselling rather than using them and ask for high license fees or compensation in a lawsuit if someone uses identical or similar marks.

In Japan, the Supreme Court held in 1997 that infringers could avoid liability for damages based on lost royalties that trademark owners would have been entitled to receive for the use of the registered trademarks if they successfully allege as a defence, and prove the impossibility of any damage to the trademark right holders (Ichiro Nakayama, Chapter 31).

Measure of damages

In civil law jurisdictions in Asia, damages for trademark infringement can be actual damages (e.g., the PRC, Japan, Korea, and Taiwan) and lost profits of the trademark owner (e.g., Korea and Taiwan), infringer’s profits (e.g., PRC, Korea, Taiwan), lost trademark royalties (PRC, Japan, Korea, and Taiwan), statutory (pre-determined) damages (capped at a fixed amount, e.g., the PRC and Korea

31 For more analysis, see Kung-Chung Liu et al., The Use and Misuse of Well-Known Marks Listings, 40 *International Review of Industrial Property and Competition Law*, No. 6, 2009, 685–697.

32 The Korean Supreme Court held that damages could not be granted if the registered trademark has not been used in South Korea (Case 2002Dah58594, September 2, 2004), see Jay Young-June Yang/Sung-Nam Kim, Anti-counterfeiting Strategies in South Korea, available at www.worldtrademarkreview.com/anti-counterfeiting/anti-counterfeiting-strategies-south-korea.

or capped at a multiple of the retail price of the infringing goods, e.g., Taiwan) and even punitive triple damages (e.g., the PRC). While courts in the PRC,³³ Japan, and Korea enjoy wide discretionary power in deciding the level of damages, Taiwanese courts may only reduce the amount of damages if such amount is “apparently inequitable”. The basis on which those damages are to be awarded varies from country to country. Compensation for the loss of goodwill as a result of trademark infringement is only expressly recognised in the Korean TMA.³⁴ However, courts in Japan³⁵ recognise such compensation in practice.

In 1985 Taiwan introduced a unique method for calculating the amount of statutory damages for trademark infringement, namely the unit retail price of the infringing products multiplied by a number between 500 and 1500 to be chosen by the courts, despite the fact that there is no similar provision in other Asian jurisdictions. The lower limit was criticised for its possibility of disproportionate overcompensation and repealed in 2011. Indeed, Hao-Yun Chen (Chapter 32) suggests that this regime should be abolished entirely.

By contrast, in the common law jurisdictions of Asia such as Malaysia, the two forms of pecuniary relief are limited to either damages or an account of profits, in order to prevent double recovery. Singapore follows the same model but recognises also statutory damages when the use of a counterfeit trademark was involved.³⁶ In Malaysia there is no hard and fast rule regarding assessment of damages. However, in 2011 the Federal Court rejected loss of sales as well as loss of net profit in assessing damages for trademark infringement, which has set a binding precedent

33 The SPC (2013 Min-Shen-Zi 1567) opined that courts have discretion to determine damages exceeding the amount of statutory damages.

34 Article 113 of the Korean TMA (Recovery of Reputation of Trademark Right Holder, etc.) provides:

The court may order a person who has damaged business reputation of a trademark right holder or an exclusive licensee by wilfully or negligently infringing the trademark rights or the exclusive license to pay damages at the request of the trademark right holder or the exclusive licensee, or order the person to take measures necessary to reinstate the business reputation of the trademark right holder or the exclusive licensee along with compensation for damages.

Taiwan recognized such compensation between 1985 and 2010. The reason for abolishing it was that such compensation was non-proprietary in nature and was justifiable because trademarks were not separated from the businesses that owned them, hence the introduction of an extra compensation of non-proprietary damages in 1985. However, since the 1993 revision has deleted the provision that mandated trademarks can only be assigned along with the business that owned them and trademark right has become independent from business that owned it and a pure proprietary right, it is no longer necessary to provide trademark rights owners a right to claim non-proprietary damages.

35 AIPPI Japan, *Damages for Infringement, Counterfeiting and Piracy of Trademarks*, p. 7, available at: aippi.org/wp-content/uploads/committees/203/GR203japan.pdf.

36 For a more detailed analysis see David Llewelyn, *Statutory Damages for Use of a ‘Counterfeit Trade Mark’ and for Copyright Infringement in Singapore*, 28 *Singapore Academy of Law Journal*, (2016), 61–88.

in Malaysia. Malaysia and Singapore recognise the possibility of compensation for loss of goodwill as a result of infringement (Ainee Adam, Chapter 33).

In Singapore, as a matter of procedural propriety, any of the parties could have applied prior to the trial for a bifurcation of the hearing on liability and damages pursuant to O 33 r 2 Rules of Court. Therefore, it is common in Singapore for parties to bifurcate actions for trademark infringement, such that the trial on liability takes place before the quantum of damages is dealt with separately at a later assessment heard by Assistant Registrars of the court. This allows parties to save both time and costs because a failure by the claimant to succeed on liability would clearly render the need to adduce evidence on damages unnecessary. If and when the claimant succeeds at the liability stage, parties would normally settle on the amount of damages, failing which Assistant Registrars of the court will conduct assessment of damages. The factors to be taken into consideration set out in two recent decisions by Assistant Registrars after the establishment of trademark infringement for determining damages are instructive in relation to how the courts may assess damages arising from trademark infringements: the flagrancy of the infringement, the loss suffered or likely to be suffered, the benefit accrued to the defendant, the need to deter other similar infringements, and other relevant matters (Benjamin Tham, Chapter 34).

Part 7: Jurisdiction and applicable law for trademark litigation

Generally, in the Asian economies covered in this book, few have direct provisions on international jurisdiction (Japan is one exception since 2011). In the Asian jurisdictions covered, the freedom of the parties to choose the court with jurisdiction has not been statutorily allowed with the exception of Singapore, and China in near future. In terms of exclusive jurisdiction, while some recognise it (e.g., Japan),³⁷ some (e.g., Taiwan) do not. The *lex loci protectionis* principle is widely adopted for cross-border IPR infringement cases,³⁸ and for entitlement and ownership of IPR as well. In other words, the applicable law to be applied to such cases is the law of the country in which legal protection is claimed. This is an understandable and acceptable result of the principle of territoriality of IPRs. For more details, please refer to Chapter 7 of the second volume of the trilogy: “Annotated Leading Copyright Cases in Major Asian Jurisdictions”.

37 Art. 3–5 (2) of Japanese Civil Procedure Code provides for the exclusive jurisdiction of a Japanese court. Paragraph 2 of the article provides as follows: “An action related to a registration is under the exclusive jurisdiction of the Japanese courts if the place where the registration is to be implemented is within Japan.”

38 In Korea, Article 24 of the Private International Act provides that “the protection of intellectual property rights shall be governed by the law of the place where such rights are infringed.” In the PRC, Article 50 of the Law of the Application of Law for Foreign-related Civil Relations stipulates: “Liability for infringing intellectual property rights is governed by the law of the place where protection is sought.” In Taiwan, Article 42(1) of the Choice of Law in Civil Matters Involving Foreign Elements states: “A right in an intellectual property is governed by the law of the place where the protection of that right is sought.”

Part 7 contains four case reports. The first one (Yasuto Komada, Chapter 35) reports the Japanese case law prior to the coming into force of the new provisions on international jurisdiction introduced into the Japanese Civil Procedure Code in 2011, which would reverse the ruling of the courts on international jurisdiction. In addition, while the reported decisions adopted the unitary approach of interpretation, according to which the law applicable to IP transfer contracts shall also decide whether the rights were validly transferred, the majority of the academic writings and judicial cases prefers to divide the legal relationship into the contract causing the transfer and the transfer itself. Professor Komada tends to agree with the reported decision.

The two case reports following deal with the special issue of the so-called “cross-region trademark litigation” arising from the four greater-China areas of mainland China, Taiwan, Hong Kong, and Macau (Kung-Chung Liu, Chapter 36 and Lizhou Wei, Chapter 37). Currently, both Taiwan and mainland China accept that the principles for determining jurisdiction and applicable law in private international cases apply *mutatis mutandis* to inter-regional cases involving the four areas.

The last case report deals with the issue of balancing traditional jurisdictional requirements with the rapid increase in e-commerce and online businesses on the one hand, and on the other, the interests of defendants in not being forced to contest legal actions in faraway locations in India (Gargi Chakrabarti and Saahil Dama, Chapter 38). Indian courts have been willing to do away with traditional jurisdictional requirements of the plaintiff/defendant having to be physically present to conduct business. However, to curtail such broadening of jurisdiction, the Indian Supreme Court has required that when there is an overlap of the plaintiff’s place of residence or business and the place of the cause of action, then the plaintiff must file the suit at such place.

Conclusion

Much can be learned from reading the selected Asian trademark laws and decisions that follow. First of all, Asia is a fertile ground for the trademark industry as there are clear interests in and strong demand for trademark registration, commercialisation, branding, and dispute resolution. If developed well, Asia’s thriving trademark industry will cater to the divergent interests of SME and conglomerates alike, and help build the economic foundations for all IP industries to take off in Asia. Trademark law is therefore probably the most ideal area of IP for Asian economies to start work on towards harmonisation and integration with some pan-Asian arrangements.

Second, there are some features that are unique, such as:

- 1 In terms of protection of well-known trademarks, Chinese Trademark Law prohibits manufacturers and business operators from indicating the words “well-known trademark” upon goods, their packaging or containers, or using these words for advertising, exhibition or other commercial activities.

- 2 In terms of limitations of trademark rights, the SPC of the PRC has recognised a *de facto* compulsory license of a trademark in the context of a housing unit development project by the government, which raises compatibility with Article 21 of the TRIPS Agreement. Additionally, providing a specific parody defence does not seem to be the cup of tea for major Asian economies, as there are few reported cases in which parody has been successfully accepted as a defence to trademark infringement. Perhaps it has to do with traditional Asian values which tend to treat people and objects with respect. It could also be a result of a historical scar caused by being accused by Western countries of being “pirates” that makes Asian jurisdictions hesitant to be less serious about IP rights.
- 3 In terms of damages, Chinese Trademark Law establishes the “no actual use by the owner, no damages” principle, to which the Korean Supreme Court subscribes. Similarly, the Japanese Supreme Court allows the alleged infringer to raise “(the trademark rights owners suffered) no damages defence” to avoid paying damages based on lost royalties that trademark owners would otherwise have been entitled to receive. In this area, Taiwan has a unique method for calculating the amount of statutory damages for trademark infringement, namely the unit retail price of the infringing product multiplied by a certain number below 1,500 to be chosen by courts.

Last but not least, Asian civil law jurisdictions could learn from their Asian common law neighbours to allow the parties to apply at the outset of an action for a bifurcation of the hearing on liability and damages for trademark infringement, such that the trial on liability takes place first before the quantum of damages at a later assessment heard by junior judicial staff of the court. This would allow parties not to argue the two issues at the same time and come to their senses quickly in reaching an agreement, under the auspices of court officials, on the amount of damages after the liability issue has been established. This would save time and costs for the courts as well.

Looking forward, the Indian and Malaysian TMA fair use clause that permits reasonably necessary use of trademarks by third-party manufacturers of spare parts or accessories to the core goods of the other party, relied on the Trade Marks Act 1938 of the United Kingdom as a model and resembled Article 14(1)(c) and (2) of the EU Trademark Regulation³⁹, is conducive to competition and

³⁹ Article 14(1)(c) and (2) of the European Trademark Regulation provides:

1. An EU trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade: (c) the EU trade mark for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark, in particular, where the use of that trade mark is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts. 2. Paragraph 1 shall only apply where the use made by the third party is in accordance with honest practices in industrial or commercial matters.

For a more detailed analysis of the article see J. Miller et al., *Kerly's Law of Trade Marks and Trade Names*, 16th edition, Sweet & Maxwell, 2018, 17–028 et al.

surely a step in the right direction. Other Asian trademark regimes are advised to follow suit.

It is the heartfelt wish of the authors that Asian courts and scholars do not just know, cite, and learn from the trademark statutes and decisions of the US or the EU, but also from those of their Asian neighbours.