

# Foreign Enterprise and Chinese Trademark and Patent Laws— A Digest-Commentary on Some Important Cases\*

## I. Introduction

It may seem strange that most litigants of trademark and patent actions in the Republic of China on Taiwan (hereinafter referred as "ROC") are either foreign enterprises or domestically incorporated but foreign-invested corporations. Nevertheless, this fact is evidenced by officially reported judicial decisions reported. A collection and brief analysis of some important cases in these two areas of law should be constructive for international lawyers inasmuch as such an effort may at least suggest answers to the following basic queries: (1) Who are these foreign litigants? (2) What issues are frequently raised in such actions? (3) To what extent will foreign elements of a case complicate its outcome? (4) Will a United States court reach the same conclusion if the same case is presented? and (5) Is the Chinese court fair and just in handling cases involving foreign entities?

Before discussing these cases, it should first be noted that infringements of foreign patents and trademarks are common.<sup>1</sup> Some Chinese find it the easiest way to make a fortune by employing foreign patented formulae or processes in their manufacture of goods or imitating foreign well-known trademarks in selling commodities. When the trademark owner or patentee discovers some

---

\*For the sake of convenience, the following abbreviations are used in this study:

- AAD: Administrative Appeal Decision
- ACJ: Administrative Court Judgment
- GJY: Gazette of the Judicial Yuan
- GMOEA: Gazette of the Ministry of Economic Affairs
- MNE: Multinational Enterprise
- MOEA: Ministry of Economic Affairs, ROC
- NBS: National Bureau of Standards, MOEA
- ROC: Republic of China

<sup>1</sup>In 1969, MOEA issued an order prohibiting imitation of foreign trademarks, See MOEA Order No. *Ching-Tai*-(58)-*Shang*-10693 dated March 31, 1969, GMOEA, Vol. 1, No. 4 (1969), p. 34.

infringement of his right, he usually asks his attorney to send a warning letter to the imitator requesting that he discontinue the imitation immediately. In some cases, that will be sufficient to induce the imitator to discontinue the imitation voluntarily. For example, the following letter was received by the attorney representing Merck & Co., Inc., U.S.A., six days after the attorney sent a warning letter to Tien Sheng Enterprises Ltd., a local company:

Your letter dated August 4, 1971 has been received and duly noted. Following is our reply to the various points contained in your request:

- (1) Prior to the receipt of your letter, we had no knowledge of the fact that your client, Merck & Co., Inc., had obtained the exclusive right to use the AM-PROL PLUS trademark.
- (2) We have in our possession a written authorization issued by TAD of West Germany to sell such products in Taiwan.
- (3) We fully agree henceforth not to import and sell pharmaceutical goods bearing the said trademark and we hereby undertake to pay absolute respect to the exclusive right of Merck & Co., Inc. to use the trademark.
- (4) We do not have physical possession of the Permit for Import of Animal Drugs issued by the Taipei Municipal Government.

In some cases, however, the imitator may simply ignore the warning. The following letter, sent to Convair Enterprises Co., Ltd. by the attorney representing California Packing Corporation, U.S.A., is a case in point:<sup>2</sup>

At the request of my clients, Messrs. California Packing Corporation, I convey you their statement as follows:

As you are aware, for many years we have adopted the DEL MONTE Colored Label (a red heart shaped like a shield on a green background with yellow rim around) as the trademark for our food products, which have enjoyed world-wide sales. This trademark has also been registered for exclusive use in the Republic of China. However, as reported, Convair Enterprise Co. Ltd. of Taipei has, for deceptive purposes, used a label of identical colors with a shield-like design on a green background as the trademark for their product of canned asparagus. Inasmuch as such label has all the same design and coloring as our registered and such imitation is an obvious violation of law, Mr. XX, Attorney-at-law, did, at our request, by a letter dated November 10, 1966, notify the said Convair Enterprise Co. Ltd. to immediately stop use of the imitated trademark, collect back all their marketed goods labeled with such imitated trademark, destroy all remaining labels and advertising devices showing such imitated trademark, and guarantee in writing that they would hereafter refrain from imitating any of our registered trademarks. Although they did give such written guaranty on November 15, 1966, as an overt act of compliance, they have in fact continued their illicit practice just the same. In this light, it appears that the responsible persons of the said company should be suspected of the offence specified in Article 253 of the Criminal Code, and should, moreover, be held liable, jointly and severally with the said Company, for damages in respect of their act of infringement. Accordingly, you are hereby requested to serve notice again on the said company, enjoining them to stop such infringement within a prescribed time limit and to indicate, for our consideration, the amount of

---

<sup>2</sup>This case is really a shame in view of the fact that Taiwan is one of the largest exporters of canned asparagus in the world.

damages they are prepared to pay, failing which you are requested to bring a suit in accordance with law.

In view of the foregoing, you are hereby notified to give the matter your prompt attention, take action accordingly, and give a reply within ten days from receipt of this letter.

If the imitator failed to comply with this second warning, a criminal and/or a civil case was likely to be instituted. However, it is virtually impossible to find such cases since the decisions of the District Court and the High Court are not reported, and judgments of the Supreme Court of the Republic of China are only selectively reported. But thus far no contested patent or trademark cases involving foreign enterprises have reached this Court. For this reason the summary which follows will center on administrative cases<sup>3</sup> contesting the validity or registerability of a trademark or patent.

## II. Trademark Cases

The most litigated article in the Trademark Law<sup>4</sup> of the ROC is Article 37 which reads in part as follows:

Application for registration of a trademark the device of which falls under any one of the following circumstances shall not be made:

(6) Anything likely to disturb public order or corrupt good morals, or to deceive the public or cause the public to have a misbelief;

(7) Anything identical with or similar to a world-famous mark or symbol owned by another person to cover the same good or goods in the same group;

(10) Containing words, drawings, symbols, or any combination thereof, representing the customarily used name, shape, quality, usefulness or other description of the commodity for which an application for trademark registration is made.

(12) Anything identical with or similar to another person's registered trademark used for the same goods or for goods in the same group, or anything identical with or similar to such registered trademark the registration of which has expired less than one full year. This does not apply, however, in a case where the registered trademark has not been used for one year before the registration loses its validity.

Of these, items 7 and 12, namely, the issue of similarity and protection of world-famous mark, because of their recurring importance, merit our attention first.

### 1. *The Issue of Similarity and*

#### *Protection of World-Famous Marks*

#### A. THE TWO COCA—COLA CASES

In 1957, a local company called Chu Shui Hsuan Foodstuff Co., Ltd.

---

<sup>3</sup>Such actions are brought either by or against governmental agencies entrusted with the administration of the patent and trademark laws. The National Bureau of Standards is now the authority in charge of registration of trademarks and patents. Under the current court system of the Republic of China, a special court named "Administrative Court" is authorized to decide disputes arising from administrative actions taken by various agencies of the executive branch.

<sup>4</sup>The Trademark Law of the ROC was first promulgated on May 6, 1930 effective January 1, 1931.

(hereinafter referred to as "CHS") applied for registration of its trademark "*Chu Shui Ches Cola*." The application was found by the examiner to be in conformity to law and was granted. The mark was then published in the Trademark Gazette for possible oppositions by interested parties.<sup>5</sup> An opposition proceeding was duly instituted by the Coca-Cola Company, U.S.A., the most well-known soft drink manufacturer in the world, against that trademark. This opposition proceeding was allowed by the National Bureau of Standards (NBS) and the original approval was revoked.

Dissatisfied with this revocation decision, CHS filed an administrative appeal with the Ministry of Economic Affairs (MOEA). The appeal was subsequently denied by the MOEA, the Executive Yuan and the Administrative Court for the reason that "*Chu Shui Ches Cola*" was similar to the registered trademark "*Coca-Cola*."<sup>6</sup>

In its petition filed with the Administrative Court, CHS advanced the following arguments:

(1) Cola is a kind of tree found in Africa. It has long become the name of a commodity and the Coca-Cola Company may not claim the exclusive use of it. This term has been used in many countries around the world, even including Communist countries, to designate some sort of soft drink. In China before 1949, there were such trademarks as "*Mei Chuan Cola*" and "*Ar Fu Cola*." In Taiwan after 1949, there was such a trademark as "*Vita Cola*", and "*Hei Sung Cola*" was applying for registration. Moreover, as informed by The Pepsi-Cola Company, U.S.A, that company had registered its trademark "*Pepsi-Cola*" in more than 88 countries.

(2) The Coca-Cola Company did not separately register the term "*Cola*." Only "*Coca*" was the major part of its trademark. Since "*Chu Shui Ches*" was completely different from "*Coca*" in meaning, pronunciation, design and color, it was unreasonable to rule that the two trademarks were similar to each other.

(3) Although it might be true that The Coca-Cola Company had won a few cases involving the same issue in a few developing countries, it was well established that the said company had lost its case in many countries such as the United States,<sup>7</sup> Japan, the United Kingdom, and Canada. It was clearly the intention of The Coca-Cola Company to monopolize the soft drink industry in

<sup>5</sup>Under Article 24 of the then Trademark Law (now Article 41), a trademark will be granted registration if no interested party has instituted opposition proceedings against it within six months (now three months) or if any such proceedings instituted have been successfully overcome.

<sup>6</sup>Under Article 2, item 12 of the then Trademark Law (now Article 37, item 12), a design being identical with or similar to a registered trademark of another person for the same goods or goods in the same group is not eligible for trademark registration.

<sup>7</sup>See, e.g., *Dixi-Cola Laboratories, Inc. v. Coca-Cola Co.*, 48 USPQ 164, 117 F. 2d 352 (4th Cir. 1941).

underdeveloped countries by excluding others from using the term "Cola," and had become a customarily used symbol for some type of soft drink.

The arguments advanced by NBS as defendant, and The Coca-Cola Company as an intervening party were developed as follows:

(1) Coca-Cola was a drink first produced in 1886, and the trademark was first registered in the United States in 1893. It has been a valid trademark since then and has been registered in more than 140 countries. Because of the Company's advertisement and quality control efforts, it is beyond a doubt that the said trademark has become a world-famous mark. The product had been marketed in China before 1949 almost all over the country. In Taiwan, although banned from import, such a product was still sold in the open market.

(2) "Cola" was an integrated part of the registered trademark and could not be separated from it. Viewed as a whole, it was not a customarily used term to designate some sort of soft drink. Even it was assumed the "Cola drink" was a customarily used term in the United States, it was not necessarily true in Taiwan, due to its different environment.

In dismissing the case, the court made the following points:<sup>8</sup>

(1) "Coca-Cola" should be viewed as a whole, and "Coca" and "Cola" are all major parts of the registered trademark. A person may not use the major part of a registered trademark as a part of his own trademark, nor was the information furnished by various trade associations sufficient to prove that "Cola" had become a customarily used term to designate the commodity—soft drink. Even if it were assumed that it had become a customarily used term, plaintiff may use this term to describe only the content or quality of its product and may not use this term as a major part of its trademark.

(2) The three trademarks mentioned by the plaintiff, namely, *Mei Chuan* Cola, *Ar Fu* Cola and *Vita* Cola, had been declared as null and void by NBS and could not be cited to support this case.

It should be noted that the court's view was a very conservative one. In this writer's opinion, the case should have been reversed for the reason that the term "Cola" had become a customarily used name for soft drink and it was extremely unlikely that anyone would confuse "*Chu Shui Ches* Cola" with Coca-Cola.<sup>9</sup>

In 1958, i.e., before the above decision was handed down, CSH filed another application for registration of the trademark "*Chu Shui* Cola." It should be noted that this "*Chu*" is a different Chinese character, although

<sup>8</sup>*Chu Shui Shuan Foodstuff Co., Ltd. v. NBS*, ACJ No. 51-Pan-254 dated July 21, 1962, GJY, Vol. 4, No. 10 (1962), pp. 25-29.

<sup>9</sup>The late Professor H. Y. Ho also adopted the same view. See HO, A STUDY OF THE INDUSTRIAL PROPERTY (Taipei, 1969), p. 158.

having the same pronunciation as that in “*Chu Shui Ches Cola*.” After the application was granted the Coca-Cola Company filed a request for review of the case with the NBS. As a result, the registration of “*Chu Shui Cola*” was again declared void. The case finally went to the Administrative Court. Arguments along the lines of those made in the above case were advanced by the parties concerned. The court did not overturn its previous decision on the issue of similarity. But in addition to that issue, the court further considered the matter of protection of a world-famous mark.

In this connection, the court cited one interpretation made by the Judicial Yuan and another by the Grand Justices of the Judicial Yuan<sup>10</sup> holding that a “world-famous mark” is one which is well-known *within the territory of the Republic of China*. Since, according to these rulings, the Coca-Cola Company had marketed its products all over Mainland China *before 1949* and since *the Mainland is an integrated part of the territory of the Republic of China*, the trademark “Coca-Cola” should be considered as a “world-famous mark” no matter whether that company had marketed such products in Taiwan or not.<sup>11</sup> (It will be recalled that Coca-Cola was banned from import at that time.)

Here emerged a very interesting question as a result of the takeover of Mainland China by the Chinese Communist Party. Assuming that Coca-Cola were not well-known in Taiwan at the time when the judgment was rendered, the court’s holding could stand only on the assumption that Mainland China is an integrated part of the Republic of China. To foreigners, such an assumption may seem to be in contradiction with reality. However, it is a fact that the Government does make such a claim.<sup>12</sup>

This writer was informed by the attorney who represented CSH in the first case that, a few years later, when Pepsi-Cola was granted registration by NBS the reason was that former U.S. President Richard Nixon represented the Pepsi-Cola Company in its registration proceeding in Taiwan.<sup>13</sup> Whether this be accurate or mere surmise, several other cola cases followed this “precedent.” Today there are several kinds of cola in the domestic market. At any rate, the two prior rulings have apparently been overruled *de facto* by later administrative practices.

## B. THE DEWITT CASE<sup>14</sup>

In July 1968, upon application by Dewitt Pharmaceutical Company (DPC), a British corporation, MOEA reversed a ruling by NBS which had declared

<sup>10</sup>The Judicial Yuan is the highest judicial organ of the ROC. The Grand Justices are in charge of uniform interpretation of law. See Article 79 of the CONSTITUTION.

<sup>11</sup>*Chu Shui Shuan Foodstuff Co., Ltd. v. NBS*, ACJ No. 54-*Pan*-197 dated September 11, 1965, GJY, Vol. 8, No. 4 (1966), pp.15-17.

<sup>12</sup>This is a political issue and is beyond the scope of this study.

<sup>13</sup>Please note that such information has not been verified.

<sup>14</sup>ACJ No. 57-*Pan*-499 dated December 31, 1968, GMOEA, Vol. 1, No. 2 (1969), pp. 38-40.

null and void the trademark "Dewitts" registered by Huang Wan Hso Pharmaceutical Works, a local enterprise. An administrative appeal by DPC to the Executive Yuan was dismissed. DPC then instituted an administrative proceeding in the Administrative Court. The case was again dismissed for the following two reasons:

(1) Before 1949, DPC's products, which were marketed in the Shanghai area only, were not sold in other parts of the country, including Taiwan, Penghu (Pescadores), Kinmen (Quemoy) and Matsu. Although DPC had once registered the trademark "Dewitts" in China, such a mark could not be treated as a world-famous mark.

(2) The term of the exclusive use of the said trademark owned by DPC expired on March 20, 1961, and no extension had been requested. Under such circumstances, it was unlikely that the public would be deceived and, therefore, Huang Wan Hso was free to use that mark after the expiration date.

### C. OTHER CASES

(1) In *Takeda Chemical Industries, Ltd. v. NBS*,<sup>15</sup> the Administrative Court held that "Valpin", registered by an American pharmaceutical company, was not similar to "Alipin", registered by Takeda. The main theme of this case was that to determine whether two trademarks are similar to each other, the Chinese character and pronunciation should control no matter whether they are registered in a foreign language or in both Chinese and foreign languages.

(2) In *Jih Hsin Chemical Company v. NBS*,<sup>16</sup> MOEA held that "*An Shih Pai Lo*" registered by Jih Hsin was not similar to "*An Shih Pai Lo*" registered by Tanabe Seiyaku Co., Ltd., Japan, since they are easy to distinguish in Chinese. (In Chinese, only the first and third characters are the same.) Moreover, since Tanabe had marketed its products only in Taiwan, Penghu, Kinmen and Matsu, its trademark was not a world-famous mark.<sup>17</sup>

(3) In *Bulova Watch Company Inc. v. NBS*,<sup>18</sup> MOEA held that "Bulova" owned by Bulova Watch company, a New York-based MNE, was not similar to "Bulla" for the reason that the latter trademark was registered in both Chinese and English and its design was quite different from the former foreign trademark.

(14) In *Triumph International Ltd. v. NBS*,<sup>19</sup> the trademark "Triumph In-

---

<sup>15</sup>ACJ No. 55-Pan-221 dated September 27, 1966, GJY, Vol. 10, No. 1 (1968), pp. 30-31.

<sup>16</sup>MOEA AAD No. *Ching*-(60)-*Su*-39753 dated September 30, 1971, GMOEA, Vol. 3, No. 10 (1971), p. 88.

<sup>17</sup>If this logic stands, it would be impossible for a trademark registered in Taiwan after 1949 to become a "world-famous mark," since the owner concerned is presently prohibited from marketing his products in Mainland China.

<sup>18</sup>MOEA AAD No. *Ching-Tai*-(58)-*Su*-35889 dated October 18, 1969, GMOEA, vol. 1, No. 11 (1969), pp. 64-65.

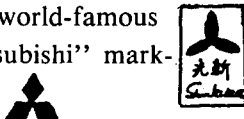
<sup>19</sup>MOEA AAD No. *Ching-Tai*-(58)-*Su*-32289 dated September 18, 1969, GMOEA, Vol. 1, No. 10 (1969), pp. 38-39.

ternational" was declared as similar to "Wang Kuan Long" registered by a local enterprise, since they had the same crown design.

(5) In *Shriro (China) Ltd. v. NBS*,<sup>20</sup> it was determined that "International" registered by Shriro, a Hong Kong company and appropriated to watches, was not similar to "National" registered by Matsushita Electric Industrial Co., Ltd., Japan, even though "National" was translated into two Chinese characters—*Kuo Chi* meaning 'International,' and the said two Chinese characters were used as part of the registered trademark.

(6) In *Mitsubishi Electric Corp. v. NBS*,<sup>21</sup> it was decided that the trademark as shown below was not similar to the world-famous

"Mitsubishi" mark-



(7) In *Osaka Sewing Machine Trading Co. v. NBS*,<sup>22</sup> "Zenith" was recognized as a world-famous trademark owned by Zenith Company, U.S.A. The appellant was prohibited from appropriating that mark to the use of sewing machines.

(8) In *Sankyo Machine Company v. NBS*,<sup>23</sup> the Administrative Court held that "*San Say*" (Sankyo in Japanese) was similar to "*San Yang*" (Sanyo in Japanese), despite the fact that these two trademarks were concurrently registered in Japan. The fact that Japanese can easily distinguish these two marks registered in the Japanese language could not guarantee that Chinese would also easily distinguish them as registered in the Chinese and English languages.

## 2. The Issue of Deception of the Public

### A. THE SUNKIST CASE

The leading case on this issue is *Vita Cola Enterprise v. NBS*<sup>24</sup> with Sunkist Growers Inc., U.S.A., joined as an intervening party. When Vita Cola Enterprise (VCE) was granted registration of the trademark "*Hua-Chi Sunkist*," Sunkist Growers filed an application for review of this action. The application was granted and the said mark declared to be null and void. The case finally went to the Administrative Court.

In its petition VCE alleged, in essence, the following:

<sup>20</sup>MOEA AAD No. *Ching-Tai*-(58)-*Su*-32874 dated September 22, 1969, GMOEA, Vol. 1, No. 10 (1969), p. 42.

<sup>21</sup>MOEA AAD No. *Ching-Tai*-(58)-*Su*-32951 dated September 23, 1969, GMOEA Vol. 1, No. 10 (1969), p. 46.

<sup>22</sup>MOEA AAD No. *Ching-Tai*-(58)-*Su*-36029 dated October 20, 1969, GMOEA, Vol. 1, No. 11 (1969), p. 64.

<sup>23</sup>ACJ No. 59-*Pan*-299 dated July 18, 1970, GJY, Vol. 13, NO. 7 (1971), pp. 28-29.

<sup>24</sup>ACJ No. 49-*Pan*-127 dated December 3, 1960, GJY, Vol. 3, No. 3 (1961), pp. 21-26.



(1) In order to establish a deception case, it should be proved that the imitator has infringed upon a *registered* trademark. The Sunkist trademark claimed to be owned by the intervening party, although it was once registered, had long lost its validity in China.

(2) Sunkist Growers had not proved that its trademark had become a world-famous mark, since its marketing area in Mainland China before 1949 was quite limited.

(3) VCE's trademark was appropriated to a different commodity—fruit sauce.

In dismissing the complaint, the court held that:

(1) Whether the intervening party's trademark was registered in China or not is immaterial to the establishment of a deception case. It would be sufficient if the defendant could prove that the applicant's trademark was likely to deceive the public or cause the public to be misled.

(2) Whether the intervening party's trademark is a world-famous mark is also irrelevant to a deception case.

(3) Sunkist Growers had marketed orange and fruit juice bearing the Sunkist mark in Taiwan. Fruit sauce marketed by the plaintiff was of a similar nature to those marketed by the intervening party. Moreover, the term "*Hua Chi*" is generally accepted to mean the United States.<sup>25</sup> Under such circumstances, the public was likely to be misled into believing that the products produced by VCE were goods manufactured by the intervening party.

#### B. THE *SOIR DE PARIS* CASE

In *Shanghai Min Yueh Chemical Company v. NBS*,<sup>26</sup> the Administrative Court held that the "Soir de Paris Lavendar" trademark registered by the plaintiff was likely to deceive the public since it was similar to "Soir de Paris," the well-known perfume trademark owned by Société Bourjois Co. of France. The fact that the French trademark was not registered in the Republic of China was immaterial in this case.

#### C. THE *ACUTROL* CASE

In *Welsike Company v. NBS*,<sup>27</sup> with American Cyanamid Company, U.S.A., joined as an intervening party, the Administrative Court held that "Accutrol" registered by Welsike Company was likely to deceive the public because it was similar to "Accutrol" owned by American Cyanamid Company, even though "Accutrol" was appropriated to a different kind of com-

---

<sup>25</sup>It is interesting to note that the First National City Bank (now Citibank) is called "*Hua Chi*" Bank in Chinese.

<sup>26</sup>ACJ No. 53-Pan-235 dated November 21, 1964, GJY, Vol. 7, No. 3 (1965), pp. 23-25.

<sup>27</sup>ACJ No. 63-Pan-532 dated September 5, 1974, GJY, Vol. 17, No. 2 (1975), pp. 23-24.

modity. Moreover, the fact that these two trademarks were all validly registered in the United States was not necessarily controlling in a Chinese court.

#### D. THE SONY CASE

IN *Lin Gin-Huei v. NBS*,<sup>28</sup> MOEA held that although “*Sing Li*” (Sony) registered in Chinese by the plaintiff is the same as that registered by the Sony Company of Japan, it was unlikely that the Chinese mark would cause public confusion, since it was appropriated to a completely different commodity — paint. (As is well-known, Sony is an electronics company.)

#### E. THE KAO SOAP CASE

IN *Kao Soap Co., Ltd. v. NBS*,<sup>29</sup> the Administrative Court noted that, although the trademark “*Hua Wang*” (“Kao” in Japanese) registered by Hua Wang Chemical Company, the interested party in this case, was the same as that registered by the plaintiff, it was appropriated to a different kind of commodity—skin lotion. Furthermore, plaintiff marketed its products (soap) only in Taiwan and some parts of Mainland China occupied by Japan during the Second World War. On the other hand, the term “*Hua Wang*” is a Chinese term and does not imply something Japanese.<sup>30</sup> Under these circumstances, it was unlikely that “*Hua Wang*” would cause the public to believe that Hua Wang skin lotion sold by Hua Wang Chemical was produced by Kao Soap Company.

#### F. THE SINCLAIR CASE

IN *San Pon Trading Company v. NBS*,<sup>31</sup> it was held that the trademark “SINCLAIR” registered by the plaintiff, a Japanese corporation, and appropriated to sewing machines, was likely to deceive the public since it was the same as that used by Sinclair Petroleum Company, U.S.A. The fact that this Japanese-owned mark was appropriated to a different kind of commodity was immaterial.

It is to be noted that this case came out differently from the result in *Sony*, discussed above, involving a similar situation. But, when the two cases are analyzed, they appear to be different in the following two aspects:

(1) In *Sony*, plaintiff registered his trademark in the Chinese language. In *Sinclair*, San Pon registered the mark in both Chinese and English languages

<sup>28</sup>MOEA AAD No. *Ching*-(61)-*Su*-26496 dated September 21, 1972, GMOEA, Vol. 4, No. 10 (1972), p. 31.

<sup>29</sup>ADJ No. 58-*Pan*-488 dated December 23, 1969, GJY, Vol. 12, No. 7 (1970), pp. 34-35.

<sup>30</sup>It is interesting to compare this case with the *Sunkist* case on this point.

<sup>31</sup>ACJ No. 63-*Pan*-97 dated March 8, 1974, GJY, Vol. 16, No. 7 (1974), pp. 16-18.

and the English name was exactly the same as that used by the U.S. company.

(2) The plaintiff in the Sony case was a Chinese and one cannot ignore that a Chinese court may tend to protect a Chinese national. But the plaintiff in the Sinclair case was a Japanese company.

### 3. *Symbols Representing the Customarily Used Name, Shape, Quality, or Usefulness of the Commodity*

#### A. THE PFIZER CASE

In the leading decision in this area, *Pfizer Corporation v. MOEA*,<sup>32</sup> the Administrative Court held that the "Pfizer Package Mark in Blue Lettering on Gold Background" should be cancelled on the ground that the mark contained (a) "250mg" which was customarily used to represent the quantity of the commodity involved in this case; and, (b) "Capsules", which was customarily used to represent the shape of the trademarked commodity, although other parts of the trademark—"Pfizer" and "Terramycin"—were valid under the Trademark Law. Illustrating the main point involved in this case, the Court noted that a person may use a flower vase as a trademark appropriated to fabrics manufactured by him, but may not use the same mark to market his flower vases under the Trademark Law.

#### B. THE ELI LILLY CASE

In *Eli Lilly and Company v. NBS*,<sup>33</sup> the Administrative Court held that an application for registration of the trademark "Parabolic Shape Capsule" owned by Eli Lilly, an Indiana-based MNE, should not be granted because the said Capsule was of the same shape as that customarily used by other pharmaceutical manufacturers in Taiwan.<sup>34</sup> The fact that the said trademark has been validly registered in the United States was not controlling in this case.

#### C. THE SEVEN-UP CASE

In *The Seven-up Co. v. NBS*,<sup>35</sup> MOEA held that the trademark "7-Up" must be cancelled since "Up" is a symbol representing the customarily used quality or usefulness of the commodity involved in the case, namely, fruit juice. MOEA noted that at page 2798 of *Webster's Third New International Dictionary*, (1965 ed.) "up" was defined as a beverage effervescent. At page 4 of the *American Soft Drink Journal* published in July 1956, it was also stated that "Here's a new lemon for "up" type drinks."

<sup>32</sup>ACJ No. 54-Pan-184 dated August 28, 1965, GJY, Vol. 8, No. 3 (1966), pp. 21-23.

<sup>33</sup>ACJ No. 54-Pan-247 dated December 4, 1965, GJY, Vol. 8, No. 8 (1966), pp. 13-14.

<sup>34</sup>The court reiterated this theme in *American Cyanamid Company v. Executive Yuan*. See ACJ No. 55-Pan-75 dated May 20, 1966, GJY, Vol. 9, No. 7 (1967), pp. 14-16.

<sup>35</sup>MOEA AAD No. *Ching-Tai-(58)-Su-32939* dated September 23, 1969, GMOEA, Vol. 1, No. 10 (1969), pp. 43-44.

D. THE *QUIET KOOL* CASE

In *National Union Electric Corporation v. NBS*,<sup>36</sup> MOEA held that "QUIET KOOL" owned by the plaintiff and appropriated to an air conditioner was not a symbol representing the customarily used name, shape, quality or usefulness of the trademarked commodity in view of the fact that this mark was composed of two words one of which (KOOL) was not customarily used.<sup>37</sup>

III. Patent Cases<sup>38</sup>A. THE *MATSUSHITA* CASE<sup>39</sup>

Here, the Administrative Court held that a process which *had been put into public use* in the Republic of China was not patentable even though new material was used in utilizing this process to manufacture electric components, which resulted in the production of better products.

B. THE *PACARO* CASE

In *Pacaro Company v. MOEA*,<sup>40</sup> MOEA ruled that the patent owned by the appellant, a Japanese corporation, must be revoked since the patentee had not properly put its patented invention into practice for as long as eight years. The patentee had never manufactured its invented article in Taiwan. That it had imported a small quantity of its invented article into Taiwan during the past five years did not qualify it as properly putting an invention into practice. Under Article 68 of the Patent Law, an invention must be deemed not to have been properly put into practice if the patentee has caused the whole or great part of his invented article to be manufactured abroad and the product imported into the Republic of China.

It should be noted that a number of attorneys representing foreign patentees have suggested that article 67 of the Patent Law,<sup>41</sup> providing for revocation of patent rights if a patented invention has not been put into practice within three

<sup>36</sup>MOEA AAD No. *Ching*-(63)-*Su*-10604 dated April 26, 1974, GMOEA, Vol. 6, No. 9 (1974), p. 13. Note that the plaintiff is a Philadelphia-based corporation.

<sup>37</sup>In another case involving a Belgian corporation, MOEA held that "COPYRAPID" appropriated to a camera did not fall within Article 37, item 10. See MOEA AAD No. *Ching*-(64)-*Su*-21330 dated September 8, 1975, GMOEA, Vol. 7, No. 18 (1975), pp. 18-19.

<sup>38</sup>The Patent Law of the Republic of China was first promulgated on May 29, 1944 effective January 1, 1948.

<sup>39</sup>ACJ No. 64-*Pan*-420 dated August 8, 1975, GJY, Vol. 18, No. 3 (1976), pp. 25-26.

<sup>40</sup>MOEA AAD No. *Ching*-(62)-*Su*-38296 dated November 30, 1973, GMOEA, Vol. 5, No. 23 (1973), p. 25.

<sup>41</sup>Article 67 of the Patent Law provides, in pertinent part, as follows:

Where, in the absence of proper reasons, a patented invention has not been put into practice, or has not been properly put into practice, in this country within *three years* from the date of granting of the patent, the Patent Office may, on its own initiative, revoke the patent right, . . . (Emphasis added.)

years from the date of granting of the patent, be done away with to encourage more transfer of technology from foreign patentees.<sup>42</sup> In order to prevent possible abuses of monopoly power acquired by the patentee from a patented invention, however, it is submitted that this article should be preserved. Since under that article the Patent Office may not revoke a patented invention if proper reasons for delay have been shown, the remedy for a justifiable delay in putting an invention into practice ought to lie in the relaxation of "proper reasons" and not the repeal of the entire article.

### C. THE *MATSUSHITA* CASE

In 1971, Osca Electric Company, a local electronics enterprise, manufactured radios for export by imitating a new design originally created by a Mr. J. M. Willmin, a British citizen. On November 21, 1973, the police, after being informed by Matsushita Electric Industrial Co., Ltd., that Osca had infringed its registered patent, attached all the inventories he had manufactured.

When Matsushita first applied for registration of the new design involved in this case, it represented that the design was originally created by a Japanese. However, according to Matsushita's advertisements put in Japan, the new design was originally created by J. M. Willmin. At the end of the investigation of this case made by NBS, Matsushita claimed that J. M. Willmin had transferred his patented new design to Matsushita. NBS finally revoked the design because of Matsushita's misrepresentations.

The accuracy of this account, which is drawn from an unofficial report in a Chinese publication,<sup>43</sup> could not be verified.<sup>44</sup> But at least, it illustrates the problem of an imitation of patented new design by both Chinese and Japanese corporations.

### IV. Conclusion

The foregoing summaries confirm the statement with which the present paper began: most litigants of trademark and patent actions are foreign enterprises, especially those of multinational character based in the United States and Japan. This is apparently due to the fact that these large corporations possess sufficient resources to promote their trademarks and develop their patentable inventions. This phenomenon of foreign domination may cause some uneasiness in the host country as can be inferred from the charge made by the plaintiff in the *Coca-Cola* case.

When a foreign enterprise applies for registration of its trademarks in the Republic of China, it should bear in mind that Chinese standards and not stan-

---

<sup>42</sup>Economic Daily News, February 9, 1976, p. 6.

<sup>43</sup>See CHINA MAGAZINE, Vol. 13, No. 145 (August 1975), pp. 22-25, 36-41, and 59.

<sup>44</sup>The Gazette of the MOEA did not report this case.

dards prevailing in its home country will govern. A mark registrable in the home country is not necessarily registrable in the host country. In this connection, it should hardly be necessary to caution that it is always preferable for a foreign corporation to retain local counsel to review an application before it is submitted.

This survey of cases involving foreign entities does not evidence any injustices done to foreign enterprises. Except for the *Coca-Cola* case, the conclusion reached by the Administrative Court in each case seems sound and justified. The major deficiency may be that the Court, like other civil courts of the ROC, is not particularly distinguished by its legal reasoning. Quite often, a conclusion is reached without much elaboration. An improvement in the rationale of its decisions would help to make them more convincing.

**Papers on  
Tax Domicile and Foreign Investments,  
Taxation of Foreign Investments  
in the  
United States,  
International Judicial Assistance and  
American Bankruptcy Law**

PRESENTED TO AN  
ABA CONFERENCE IN NICE ON  
OCTOBER 4, 1977

