

NETWORK IPR PROTECTION IN THE PEOPLE'S REPUBLIC OF CHINA

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SUMMARY: 1. Network IPR Protection In The People's Republic Of China; 2. Swift Development of Internet; 3. Interim Regulations on the Management of International Networking of Computer Information; 4. International Networking of Computer Information; 5. Inter-Connected Networks; 6. Access Networks; 7. Users; 8. Trademarks in Electronic Forms; 9. Held; 10. Comments; 11. Unfair Competition Law and Database Protection on Network; 12. Electronic Databases Protection on Network Case.

Although China is still a developing country, the exploitation of digital technology and computer network is developed rapidly in recent years.

And a lot of new types of disputes concerning IPR protection on network which occurred in developed countries, have also been brought to the Chinese courts.

The Internet is a worldwide entity whose nature cannot be easily or simply defined. From a technical definition, the Internet is the «set of all interconnected IP network» –the collection of several thousand local, regional, global computer networks interconnected in real time via the TCP/IP Internetworking Protocol suite. The Internet is thus a network of networks. It is «a decentralized, global medium of communications-or

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«cyberspace». It links people, institutions, corporations and governments around the world... »These communications can occur almost instantaneously, and can be directed either to specific individuals, to a broader group of people interested in a particular subject, or to the world as a whole. The Internet enables users to share files, search for information, send electronic mail, and log onto remote computers. But it isn't a program or even a particular computer resource. It remains only a means to link computer users together. The Internet is not a physical or tangible entity, but a cooperative venture. Unlike on-line computer service such as CompuServe and America On Line, no one runs the Internet.

The Internet has become a phenomenon in recent years. A survey estimates that in the world the Internet users have been 70 million, and the annual increasing rate is 165%. There are already 175 countries on the net. The Internet users are expected to be 100 million in 1998, and in 2000 will be 200 million. It is estimated that up to 1999 the Internet-related production will be US \$43 billion.

Swift Development of Internet

China is also eager to enter into the cyberspace, though nothing short of ideological restrictions. There are four national interconnected networks in China: ChinaNet, ChinaGBN (China Golden Bridge), CERNET (China Educational and Scientific Research Network) and CSTLNet (China Science and Technology Network). By the end of October 1997, in China there are 29.9 computers that have been connected to the Internet, and the Internet users have been 620,000. The registered domain names are nearly 5,000, and WWW sites are 1500. In terms of the latest survey made by CNNIC, the Chinese Internet users have been 11,060,000 by the end of May 1998, in which 790,000 access the Internet by dialing-up, and 270,000 access by the servers directly connected to the Internet. 78% of the users are young people whose ages are in the range of 21 to 35. There have been 518,000 computers connected to the Internet, in which 7,800 computers are directly connected to the Internet, and 440,000 computers are

connected the Internet through dialing up. Chinese government encourages domestic enterprises to explore the commercial opportunities on the Internet. For example, the Ministry of Foreign Trade is planning to establish Chinese largest commercial network-China International E-Commerce Network; Shanghai government is promoting the «Shanghai Information Port» project, which would make the city enjoy higher level informationization than Hong Kong and Singapore.

Interim Regulations on the Management of International Networking of Computer Information

On February 1, 1996, the State Council promulgated the «Interim Regulations on the Management of International Networking of Computer Information», which was amended on May 20, 1997. In December, 1997, the «Implementing Methods of Interim Regulations on the Management of International Networking of Computer Information», made by the Information Working Group of the State Council. The Interim Regulations and its Implementing Method regulate the Chinese Internet service and Internet access.

Under the Interim Regulations, the Information Working Group of the State Council shall take charge of coordinating and solving problems concerning international networking.

Under the Interim Regulations, there are four levels in respect of international networking.

International Networking of Computer Information

The first level is the international networking of computer information, which refers to the linking of networks of computer information within China to foreign networks of computer information for the purpose of international exchange of information. To carry out international networking of computer information, the output and input channels provided by the Ministry of Posts and Telecommunications

(now the Ministry of Information Industry) in its public telecommunication network shall be used. No units or individuals is permitted to establish or use other Channels for international networking on their own accord.

Inter-Connected Networks

The second level is the inter-connected networks, which refers to networks of computer information directly linked to international networking. Inter-connected units refer to units in charge of operation of interconnected networks. The established inter-connected networks shall be re adjusted and put into management by the Ministry of Posts and Telecommunications (now the Ministry of Information Industry), the Ministry of Electronics Industry (now the Ministry of Information Industry), the State Education Committee, and the China Academy of Sciences. Establishment of new inter-connected networks shall be reported to the State Council for approval.

Access Networks

The third level is the access networks, which refer to networks of computer information that access inter-connected networks for the purpose of international networking. Access units refer to units in charge of operation of access networks. Access networks shall carry out international networking via interconnected networks.

Access units that plan to engage in the business of international networking shall apply for license for doing the business of international networking from departments or units in charge of interconnected units empowered to handle applications for engagement in the business of international networking. Those that have not obtained these licenses shall not engage in activities related to international networking. Access units that plan to engage in activities of a non-business kind shall report for examination and approval to departments or units in charge of interconnected units empowered to handle applications for these activities . Those that have not obtained

approval shall not carry out international networking via inter-connected networks.

Those applying for licenses for doing businesses related to international networking or reporting for examination and approval shall provide information on the character of their computer information, scope of information, and location of their host computers.

Access units doing businesses related to international networking or engaged in non-business activities related to international networking shall all meet the following requirements:

- (a) They shall be legal person enterprises or institutions set up in accordance with law;
- (b) They shall have corresponding computer networks, equipment, and relevant technical and management personnel;
- (c) They shall have perfect safety and security systems and measures for technical protection;
- (d) They shall meet other requirements stipulated in laws or raised by the State Council.

Besides all the requirements above, access units shall have the ability of providing long-term service for users.

Access units doing businesses related to international networking that no longer meet requirements in (a) and (b) due to changes in their situation shall have their licenses revoked by the departments that have originally issued these licenses, and access units engaged in non-business activities related to international networking that no longer meet the requirement in (a) due to changes in their situation shall have their qualifications for international networking nullified by the departments that have originally granted the approval.

Access units are basically various ISPs, both commercial and non-commercial. While units providing international input and output channels and interconnected units are monopoly units directly controlled by different ministries. Among the four established interconnected

units, ChinaNet and ChinaGBN controlled by the Ministry of Information Industry (formerly the Ministry of Posts and Telecommunications and the Ministry of Electronics Industry) are commercial units, and they also provide access services. Thus, in the Internet access market, ChinaNet and ChinaGBN are giants, compared with those newly developed small ISPs. It seems that Chinese government would like to keep the monopoly status of ChinaNet and ChinaGBN so as to curb the development of private ISPs.

Users

The fourth level is the users of international networking of the computer information networks. International networking of the networks of computer information used by individuals, legal persons, and other organizations shall be carried out via access networks. Where applying for access international networking of the computer information networks, users shall provide ID Cards and certificate cards, and fill in user application forms. Access units shall reply the application within 5 days in writing.

In accordance with the Circular published by the Ministry of Public Security, any user who access the computer network directly or indirectly connected to a foreign country (including HK, Taiwan and Macao) shall report to the public security bureaus within 30 days since the access is available.

Units and individuals doing businesses related to international networking shall abide by relevant laws and administrative decrees of the State, strictly implement the system of safety and security, refrain from illegal and criminal activities that endanger national security and leak State secrets through international networking, and stay away from producing, consulting, duplicating, or spreading information that interrupts social order or pornographic information. 25 Under the four level system, Chinese Internet access is restricted in all respects. From the initial input and output channels to the end users are under the control of the government.

Trademarks in Electronic Forms

With respect to trademarks of software, electronic display is widely used in the software industry. where the software is installed or activated, or a user checks the source of the software under the item of «help of, the trademark of the software will be displayed on the screen of the user's computer. For example, the world-famous logo of «Windows» of Microsoft's operation system software, continues to be displayed on frame s of windows, titles and icons of the interface, as far as the software is executed; a cup of hot coffee is the famous logo of «Java», which is also perceptible on the software interface; on the interface of WPS, a well-know Chinese office software, the users may see the logo of Gold Mountain Co., the producer of the software, and on the interface of Chinese Star, a Chinese character input software, users may see the icon of «Chinese Star».

Since the software trademarks may also be used on the software packages tags of floppy disks, manuals, or in advertisements, these trademarks can still be fixed on paper or in photographs, so they may be applied for trademark registration. However, in the digital environment, the logos in digital and dynamic forms on web pages or other electronic publications break through all the established rules for ordinary trademarks. For example, in the CD-ROM of bound volumes of «Computer World» (a professional computer newspaper), the logo of producer is a blacksmith forging a large iron wheel. Once the CD-ROM is installed, the image of the blacksmith, appears on a user's computer screen. The logo is the dynamic process of the blacksmith's forging iron, with the accompanied sound. On the package of the CD-ROM, there is a picture of the blacksmith, which is static. Presumably, if the publisher of the CD-ROM applied for trademark registration, should the reproductions of the trademark be the static picture on the package or the dynamic process in digital form? In this case, at least the logo is still fixed on a tangible medium, the package of the CD-ROM. With respect to a logo of a web page, no package, no tag or any other tangible mediums, only the electronic display is the form of existence. In such case, it seems it is impossible to

apply trademark registration in China. Obviously, Chinese trademark administration has no preparation for the coming of digital age, and the officials have no interest to do any research on the so-called «visual marks».

However, such question may not be evaded for a long time in China. China is promoting the development of E-commerce (or E-business). Some enterprises have turned to the golden opportunities on the Internet. It is reported that the largest on-line bookstore in Asia will soon be established in Beijing. The bookstore is supported by Kelihua Co, one of the largest Chinese software enterprises. People may browse and buy books through accessing the bookstore's web pages. Since the bookstore will completely on-line, its service mark, of course, will be a kind of visual mark. Then, how to handle the registration matter will be the question that has to be answered by the Trademark Office.

According to Article 15 of the Trips Agreement, any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting of a trademark. Thus, the Trips agreement does not limited protectable subject matters to the trademarks in plane form or fixed on paper or in photographs. Under Trips Agreement, any distinguishable sign or combination of signs may be used in trademarks, so «visual marks» are not deemed to be excluded from the protectable trademarks. Since the Chinese Trademark Law will be revised, it is necessary to set down certain flexible criteria to define the scope of trademark protection. It has been proposed to adopt the Trips' expression («any sign, or any combination of signs, capable distinguishing the goods or services of one undertaking from those of other undertakings») in the revised Law. Therefore, where new forms of trademarks emerge, such as visual marks, the Law has the enough flexibility to accommodate.

Wentong Co. v. Ziguang Co. A Case concerning Trademark Protection in Electronic Form.

Beijing Tsinghua Wentong Information Technology Co. (Wentong Co.) v. Tsinghua Ziguang Co. (Ziguang Co.) is the first case concer-

ning software trademark infringement in the electronic form in China.

243 Facts The Electronic Engineering Department of Tsinghua University began researched and developed Chinese character recognition software from 1985. In 1990, the software was completed and called «THOCR» or «Tsinghua OCR ». In January 1993, the Electronic Engineering Department of Tsinghua University and Wentong Co. concluded an agreement, under which the Electronic Engineering Department of Tsinghua University licensed Wentong Co. to be the sole seller of «Tsinghua OCR». In September 1992, Wentong Co. applied to the Trademark Office for registration of the trademark «TH-OCR». After the trademark was preliminary approved and published by the Trademark office, Tsinghua University Technology Development Company (the predecessor of Ziguang Co.) filed an opposition against the registration of the trademark, for the reason that «TH» was similar to the devices of its preexisting registered trademark «Tianhai» on the similar products and that «OCR» was the generic name of Optical Character Recognition. The Trademark Office found that such opposition was not justified. In 1995, Wentong's application for registration of the trademark «TH-OCR» was approved, and the trademark was published. The goods in respect of which the use of the trademark has been approved was computers, peripheral equipment and fixed software. The period of validity of the registered trademark was from October 1993 to October 2003. In March 1994, Wentong Co. concluded an agreement with Ziguang Co. for jointly marketing «Tsinghua OCR». Under the agreement, Wentong Co. was responsible for providing Tsinghua OCR at the price of E01,500 per piece and Ziguang Co. was responsible for sales. When the products were sold, the characters «Tsinghua OCR» and «THOCR» were highlighted. In October 1995, Ziguang Co. cooperated with Beijing Information Engineering Institute (BIEI) to market the «BIEI OCR». The two parties agreed that the trademark «Ziguang OCR» should be used on the package of the products and in the advertisement. On part of the interface of the software «Ziguang OCR», Wentong's registered trademark «TH-OCR» was used. In July 1996, Wentong Co. applied to the Beijing East City District Notary office for conserving the evidence. Wentong Co., accompanied by the notary from the

Notary Office, bought two copies of Chinese character recognition software «Ziguang OCR». In August 1996, *Wentong Co.* sued Ziguang Co. for trademark infringement. In October 1996, under the supervision of the Court, the two parties inspected the two copies of the Chinese character *recognition software* «Ziguang OCR» legalized by notarization. The result of inspection was as following:

- (1) On the packages of the software, «Tsinghua Ziguang» and «Tsinghua Scanner Sales Center» were printed, and no indication of Ziguang OCR or «TH-OCR» could be found.
- (2) On the tags of the floppy diskettes, the software name «Chinese-English Block Letters Automatic Recognition System» was printed, and no indication of «Ziguang OCR, or «THOCR» could be found.
- (3) The installing environment of the software was the Chinese version of Windows. When the software was installed, a window for users' selecting the driver, the title of which was «TH-OCR Installation System», appears on the screen, but on the interface, no indication of «Ziguang OCR» could be found. Once the installation was completed, «Ziguang OCR Installation System» was displayed at the top of the screen, under which there was a window, with «TH-OCR Installation System» in the title and «Ziguang OCR has been successfully installed» in the frame. After the installation of the software, under the title «TH-OCR System» was the automatically established icon «Ziguang OCR».
- (4) When the software was executed in the environment of Chinese version of Windows, at the end and top of the interface «TH-OCR» was displayed all along.

Wentong Co. contended that Ziguang Co. infringed Wentong's exclusive right with respect of the registered trademark «TH-OCR», by using the trademark «TH-OCR» on the interface of the software «Ziguang OCR». Wentong demanded Ziguang to cease the infringing acts promptly, destroy all the infringing products, apologize publicly and compensate the serious economic losses of Lu 1,000,000.

Ziguang Co. strongly opposed Wentong's allegation, for the reason that:

- (1) «TH-OCR» was the abbreviation of two English words, in which «TH» referred to «Tsinghua», and «OCR» referred to «Optical Character Recognition». Thus, «TH-OCR», meant «block letter *recognition system* made by Tsinghua University». This expression had been used by many units of Tsinghua University on different block letter *recognition systems*. Wentong Co. registered «TH-OCR» as a trademark and gave a new *meaning* to this expression, but as a terminology of technology, the original *meaning* of «TH-OCR» had not been extirpated. Therefore, even after a terminology was registered by somebody as a trademark, others may still use it in its original meaning.
- (2) Various computer application systems had the titles displayed in the respective «windows». The *function* of a title was to show a user the name and content of the filed in use. Such indication was completely technological, rather than commercial. Setting up a title was the technological act to direct a user to use the software, rather than the commercial act to attract buyers. Therefore, these titles of applied programs could not distinguish one computer program from another, or distinguish one software enterprise to another.
- (3) The common method, used by software enterprises to show their copyright and trademark, was to set up a specific interface or frame, which was showed when the software was initially executed, and may be activated by a user at any time. From the interface or frame, users of the software may clearly and correctly know the producer of the software. Based on the above reasons, Ziguang Co. argued that in the products' advertisements on the products' packages, interface and frame, «Ziguang OCR» was *prominently showed*. With respect to the use of «TH-OCR» in the titles of few windows, «TH-OCR» was neither used as the trademark, designation or decoration of the products, not sufficient to mislead the public. Therefore, Ziguang Co. did not infringe Wentong's trademark right.

Held

Both Wentong Co. and Ziguang Co. were the internal units of Tsinghua University. The administrative «leaders» imposed pressure on the two parties. Thus, in the proceeding, the Defendant Ziguang Co. apologized to Wentong Co. and admitted that it had made a mistake. Wentong Co. forgave Ziguang Co. and agreed not to seek to impose the liability of trademark infringement on Ziguang. As a result, the Court conducted conciliation, and a settlement agreement was voluntarily reached by the two parties, under which Ziguang Co. compensated Wentong Co. economic losses of LE 200,000.

Comments

In this case, the dispute between the two parties was settled, but the questions raised by the case may not be settled so easily. The three questions related to this case are very important to the current situation and future development of Chinese trademark protection.

1) Limitations on trademark right.

Unlike the Patent Law or the Copyright Law, there is no limitation on trademark right stipulated in the Trademark Law. However, like any other intellectual property right, trademark right is not absolute. For example, «Big White Rabbit» is the registered trademark of a food company, but the company has no right to prevent others from calling a big and white rabbit big white rabbit»; Also, «Giant Panda» is the well-known registered trademark used on radio and TV sets, but the word «giant panda» cannot be monopolized by the registrant. Generally, if the words or devices of a registered trademark are not used as a trademark by others –not for the purpose of indicating the source of the products– and not sufficient to mislead the public, the use is permitted. Therefore, in this case, if the Defendant genuinely used the Plaintiff's registered trademark for technological purpose, the Defendant's acts did not constitute trademark infringement. In the software industry, many computer programs may only operate on the basis of other programs. In order to indicate the operation platform of

a program, the name or registered trademark of the «platform» program may appear in the name or trademark of the program. For example, «Windows» are the most widely used operation platform, thus, the indication, such as «WPS for Windows» should not be regarded as a infringing mark. In this case, the Defendant argued that it had indicated its own trade mark prominently on the package and interface of the software, and the Plaintiff's registered trademark «TH-OCR» was merely used on the interface of operation of the software. On the interface, the titles of windows were used to remind a user of the next step of the operation, and to explain the execution situation of command. Thus, the Defendant's using the Plaintiff's registered trademark in the titles of the windows on the interface of operation was not trademark use, and should not be liable for trademark infringement. However, technically, the Defendant could easily use its own software name and trademark on all the interface, but it deliberately added the Plaintiff's registered trademark «TH-OCR» on the interface of its software. Further, what «TH-OCR» indicated was neither the name or content of a file, nor the correct operation content or execution situation of a command, thus, the indications «TH-OCR» were technically unnecessary. Therefore, the Defendant used the Plaintiff's registered trademark not for technological purpose, and it is justified for the Plaintiff to suspect that the Defendant intended to mislead the public and took advantage of the reputation of the Plaintiff's registered trademark.

2) The acts of trademark infringement in electronic forms

Since software trademark may be used in electronic forms, infringing acts of electronic display has happen few years before. As early as 1994, Userfriend Co., a well-known financial software company in China, found that certain decrypted copies of its software with its trademark and logo were sold on the market. Userfriend Co. also found that it was Tsinghua Ziguang Automatic Equipment Co., without the authorization, decrypted, reproduced and sold the infringing copies to the public for commercial purposes. Userfriend Co. sued the Tsinghua Ziguang Automatic Equipment Co. for copyright and trademark infringement. The Court held that the Defendant's acts constituted copyright

infringement, and enjoined the Defendant to compensate the Plaintiff Le 115,200. However, the trade mark infringement committed by the infringer was ignored by the Court.

In fact, software trademark infringement in electronic forms should be one of focuses of Chinese anti-piracy movement, because after illegally decrypting and reproducing other's copyrighted software, many software infringers would like to retain the software owners trademarks on the infringing copies, so as to show to the buyers that what they sold was the «genuine» copies of certain software. For example, on the infringing copies of «Word 8.0», Microsoft's trademark was prominently marked on the packages and the interface of the software. However, when the software enterprises sought the legal remedies, usually only the copyright infringements would be punished, while the trademark infringements were ignored.

In this case, the Defendant used the Plaintiff's registered trademark without copying the Plaintiff's software, thus, the trademark infringement became the kernel of the dispute, and the Court started realizing that infringing acts of displaying other's registered trademark on software interface could be a serious threat to the intellectual property protection of software.

In this case, the Defendant knew that «TH-OCR» was the Plaintiff's registered trademark, because it had filed opposition against the registration of the trademark but failed. The Defendant marked «TH-OCR» in the interface of its software, so as to mislead the public to believe that its software was the Plaintiff's «TH-OCR» system or «Ziguang OCR» was exactly «TH-OCR». Therefore, if the case had been adjudicated by the Court, the Defendant would have been held liable for trademark infringement, because it not only committed the infringing acts, but also knowing infringed the Plaintiff's trademark right.

If the case had been adjudicated by the Court, the application of legal provisions would have been a headache of the Court.

Under the Article 38(1) of the Trademark Law, any act of using a trade mark that is identical with or similar to a registered trademark in respect of the same or similar goods without the authorization of the proprietor of the registered trademark, shall be an infringement of the exclusive right to use a registered trademark.

Under Article 41 (2) of the Implementing Regulations under the Trademark Law, any acts of using any word or device that is identical with or similar to the registered trademark of another person, in respect of the same or similar goods, as the designation or decoration of the goods, which is so sufficient as to mislead the public, shall constitute an infringement of the exclusive right to use a registered trademark as referred to in Article 38 of the Trademark Law. In the case, it is arguable whether the Defendant used the Plaintiff's trademark on its software interface as the trademark or as the designation or decoration of the software. Somebody argued that, since the Defendant had marked its own trademark on the interface of the software, the Plaintiff's trademark was only used as the designation of the software, thus, Article 41(2) of the Implementing Regulations under the Trade mark Law should be applied to the Defendant's acts. However, software products have the specialty that their designations are usually also their trademarks. In this case, both the Plaintiff's «TH-OCR» and the Defendant's «Ziguang OCR» were both the trademarks and the designations of the respective software. Therefore, the Plaintiff's «TH-OCR» was used both as the trademark on the Defendant's software interface and as the designation of the software, and both Article 38(1) of the Trademark Law and Article 41(2) of the Implementing Regulations under the Trademark Law should be applied to the Defendant's acts.

3) Improper registration

The Defendant insisted that the registration the Plaintiff's trademark «TH-OCR» be improper, because «TH» was the abbreviation of «Tsinghua University», and «OCR» was the generic name of «Optical Character Recognition». Since the combination of «TH11 and «OCR» meant «OCR made in Tsinghua», it had no distinctiveness as required by the Trademark Law. However, as two letters,

«TH» may have various meanings. For example, the Defendant had filed opposition against the registration of «TH-OCR» for the reason that «TH» was similar to the devices in its trademark «HaiTian». Thus, «TH» is not necessarily the abbreviation of «Tsinghua» as argued by the Defendant, and at least it may also be the abbreviation of «HaiTian». Therefore, the trademark «TH-OCR» is distinctive enough to be distinguishable, and the registration is not improper. Of course, because the registration is effective before it is canceled by the trademark administration, even if the registration were improper, the Court could not challenge the validity of the registration. Under the Trade mark Law, the final administrative decisions with respect to the validity of trademark registration made by the trademark administration are not subject to judicial review.

Unfair Competition Law and Database Protection on Network

Although China has not yet any database protection law which covers so large scope as the EU Directive of 1996 does, database without creativity may be protected under Chinese unfair competition law.

Electronic Databases Protection on Network Case

In *Sunshine v. Bacai*, the Defendant, without the authorization, captured the information in Plaintiff's on-line electronic database, decoded and re-transmitted the information to its owner clients for commercial advantage. The Plaintiff's electronic database is the so-called dynamic database, displaying the real time information and having great commercial value. The Defendant took advantage of the Plaintiff's labor and investment in the electronic database to seek its own economic benefit, which was obviously an act of free-riding. However, because the act of extracting data from other's electronic database is not an act enumerated in the Law Against Unfair Competition, such misappropriating act gets away from legal liability. Therefore, the Law Against Unfair Competition can hardly provide effective protection for electronic databases because of its limited scope of protection.

The first instance decision of this case had been made in July 1997 relying on Article 10 of the Chinese Unfair Competition Law of 1993, i. e. the trade secret protection clause. The defendant, however, appealed to the Beijing High Court. The second instance decision has not yet made up to now. So I may explain briefly here and discuss more after the final decision.