

# VIVIEN CHAN & Co.

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## NEWSLETTER

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### IP UPDATE



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## Your Mark Used by Competitors in Keyword Advertising? See How the Chinese Law May Help.

As advertisement and sales of products go online, search engines have become essential platforms for business promotion. Keyword advertising services e.g. Google Adwords and Baidu Promotion allow advertisers to bid for certain keywords with which the advertiser's advertisement or website can be associated.

Keyword advertising may nevertheless give brand owners a headache when their trademarks are used as keywords by competitors. In such situation, when a consumer inputs the trademark in the search engine, the competitor's website will receive more prioritized placement in the search results, thereby diverting Internet traffic from the true owner of the mark.

In this article, Vivien Chan & Co. will share typical cases on keyword advertising and discuss Chinese courts' position in such cases.

### I. VARIOUS FORMS OF KEYWORD ADVERTISEMENT AND LIABILITY UNDER TRADEMARK INFRINGEMENT

Keyword advertisement takes different forms. In certain forms, the keyword is incorporated in the heading or advertiser's promotion materials by searching the keyword. In others, the trademark is merely entered to the search engine but the result shows the advertiser unrelated to the keyword brand, and the keyword will not appear in search results.

The Chinese court has been ready to find trademark infringement in cases where the keyword is shown in the search results. In the case of "汤姆叔叔" (TANG MU SHU SHU) [2012], the trademark was used in the headline of the promotional link together with the advertiser's name and the services provided. The Chongqing Higher People's Court found that there was trademark use. Various similar cases thereafter have confirmed such approach of the Chinese Courts.

However, where the keyword is not shown in the result, the courts at first had difficulty using the existing trademark law to find liability.

*To establish trademark infringement, brand owners must prove that the mark has been "used as a trademark" by the defendant. According to Article 48 of the Trademark Law, "trademark use" includes where the mark is used on goods, packaging or container of goods, transaction documents, advertising, exhibition and other business activities for the purpose of identifying the origin of trade.*

*In the case of "慧鱼" (HUI YU) [2013], the Beijing Higher People's Court ruled that the linking of the keyword to a website unrelated to the keyword does not constitute trademark use. According to the Court, if the keyword is not directly shown to web users but is merely used in*

*"internal system operation", the mark would not be presented to the public as a commercial sign and would therefore not serve the purpose of identifying the origin of the goods, thereby not constituting trademark use.*

## II. UNFAIR COMPETITION - "GOOD FAITH" & "BUSINESS ETHICS"

Although keyword advertisement whereby the keyword is not shown in the search results is generally recognized as not infringing trademark rights, brand owners may still find redress in an unfair competition claim. In the case of "万得" (WAN DE) [2015], the Zhejiang Higher People's Court held that although the keyword did not cause confusion as to the origin of trade by mere use in the computer system, the advertiser's obvious intention to ride on reputation and goodwill of the trademark owner's mark and business had breached the good faith principle, and use of the mark had damaged the trademark owner's prior right and legitimate business interest, thereby constituting unfair competition.

The Supreme People's Court (SPC) provided guidance in the leading case of "美闻比萨" (MEI WEN PI SA) [2014]. According to the SPC, in keyword advertising cases which are not covered by the specific unfair competition conducts under the relevant specific provisions of the Unfair Competition Law, the general principle of good faith and business ethics may apply. The Beijing IP Court has further specified in the "大悦城" case [2015] that in order to establish unfair competition under Article 2, the use must have either unfairly taken advantage of interest of others or disrupted business operation of others.

While brand owners may have redress under the Unfair Competition Law, it is worth noting that in establishing unfair competition, the plaintiff needs to provide much more evidence of fame and use in China, compared with straightforward trademark infringement cases.

## III. JOINT LIABILITY OF SEARCH ENGINES

In practice, brand owners may wish to also hold the search engine liable to avoid the possibility of further infringement on the platform, and to claim damages.

In the cases of "陈茂篷" (CHEN MAO PENG) [2006] and "武汉回归" (WU HAN HUI GUI) [2007], the courts have confirmed that the search engines as provider of the keyword advertising services do not have the ability to edit or control the information entered into its system and cannot therefore be responsible for review on possible infringement. These judgments are consistent with the internationally recognized "safe harbour principle" for network service providers.

Also, pursuant to Article 36 of the Tort Law, a network service provider would be held jointly and severally liable if it fails to take necessary measures in a timely manner to delete, block or disconnect the infringing information upon notification of the right holder, or if it is aware of the infringement but fails to take necessary action.

In the cases of "沃力森" (WO LI SEN) [2010] and "美丽漂漂" (MEI LI PIAO PIAO) [2011], it was ruled that the standard of care of search engines would be that of a reasonable person, but the standard of care should be higher if the keyword is contrary to legal requirements (e.g. where the keyword is obscene or reactionary in nature) or is a well-known trademark with high reputation. In such circumstances, the search engine would have the duty to take the initiative to examine and take necessary action when the keyword is entered into the system. The standard of "well-known" has however been kept high: in the "捷顺" (JIE SHUN) case [2012], the Shenzhen Intermediate People's Court held that the trademark being known within certain geographical area and industry would not suffice as "well-known trademark with high reputation".

## TAKEAWAY

Advertisement tools evolve constantly to attract consumer attention, and some businesses take advantage of such tools to divert business from competitors. Brand owners need to ensure that it docket and updates its trademark rights and evidence of fame, so that you have the basis to initiate relevant actions. Also, you need a fine firm of lawyers to apply the most updated law and practice to safeguard your rights!