

Trademarks: A Comparative Analysis of Unauthorized Use in Iran, South Korea, and China

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Abstract

Trademarks, a well-established and defining phenomenon in the realm of commerce and business, fall under the umbrella of intellectual property rights and serve a variety of functions. This legal construct, employed to distinguish between the goods, products, and services of individuals by identifying their producer and source, encompasses a diverse range of types based on various criteria. Trademark registration grants the holder exclusive rights, including the prohibition of unauthorized use by others. Consequently, one instance of infringement of trademark rights is the unauthorized use of another's registered trademark. This criminal act, which can manifest in various forms, is subject to specific conditions and elements for its realization. Moreover, the legislatures of Iran, South Korea, and China have also provided protection for trademark holders against infringing acts, establishing corresponding legal remedies. This research delves into the conditions for the realization and legal consequences of this offense, examining the judicial practices and relevant laws of Iran, South Korea, and China. Finally, it offers several strategies for preventing such infringements.

Keywords: Trademark, Registration Offenses, Trademark Registration, Unauthorized Use of Trademarks

1.Introduction

Trademarks play a crucial role in the success and development of businesses. They provide a unique identity to products, goods, and services, distinguishing them from competitors and serving as a marketing tool to attract consumers. Additionally, trademarks guide consumers and buyers in selecting products that meet their criteria, such as quality and origin. Moreover, trademarks foster trust and credibility, enabling consumers to purchase their desired products without expending excessive time and resources. Therefore, the trademark system aims to strike a balance between the rights of producers and consumers.

Infringement of trademarks, particularly unauthorized use of another's trademark, disrupts this balance. Therefore, understanding the elements, conditions, and methods of infringement, along with the relevant laws and remedies available in the country's legal system, is both beneficial and essential. The research methodology employed in this study is based on library research and consultation with credible sources. The study aims to introduce the concept and function of trademarks, examine the infringement of trademark rights in the form of unauthorized use of another's trademark from various perspectives, and conduct a comparative analysis with the legal systems of South Korea and China to provide valuable insights for the readers.

2. Definition of Trademark and Its Necessity

Trademarks, which fall under the umbrella of intellectual property rights, are long-established and defining phenomena in the realm of commerce and business. This legal construct, employed to distinguish between the goods, products, and services of individuals, emphasizes the primary characteristic of "distinctiveness" in its various definitions.

The Iranian legislator, in line with this concept, has provided a definition of trademarks in Article 30 of the Law on Registration of Inventions, Industrial Designs, and Trademarks, approved in 1386 (2007). This definition aligns with the definition in international documents such as the TRIPS Agreement and the definition provided by the World Intellectual Property Organization (WIPO).

According to Clause (a) of the aforementioned article, a trademark is defined as "any visible sign that can distinguish the goods or services of natural or legal persons." These signs help companies differentiate themselves from their competitors and gain recognition. Additionally, by informing consumers about the quality of the product, they can enhance customer credibility and trust, creating a competitive advantage for these companies.

Moreover, a trademark can protect companies' valuable intellectual property assets. Upon registration, the registrant acquires the exclusive right to use the trademark and the right to prohibit unauthorized use (imitation and counterfeiting) of the trademark. [1]

3. Types and Functions of Trademarks

Trademarks, as marks that must possess the characteristics of ownership, non-misleadingness, distinctiveness, and compliance with public order and good morals, can be classified into various types based on different criteria.

From the standpoint of the subject matter of the activity, there are commercial, industrial, and service trademarks. Based on the legal definition provided, two types can be inferred: service trademarks and trademarks in the strict sense. In terms of visibility, there are visual, auditory, and olfactory trademarks. Based on the owners and users of the mark, there are individual, collective, certification, endorsement, and common trademarks.

Trademarks can also be considered based on whether or not they are registered or registrable. According to the Law on Registration of Inventions, Industrial Designs, and Trademarks (Th.A.T.L.), trademarks that are prohibited from registration and are not registrable are excluded, leaving registrable trademarks. [1]

As previously mentioned, the most important function of a trademark is to identify the quality and origin of goods, which falls under the category of the control function. A trademark serves as a guide for consumers to distinguish between the quality of similar goods. Accordingly, trademarks can also play a marketing and advertising role by encouraging consumers. Due to their emotional and psychological connection with consumers, trademarks alone have the power to influence their behavior and even lead them to purchase a product simply because it bears a trademark, regardless of whether the mark indicates a specific origin or desired quality. Therefore, investment can also be considered among the functions of trademarks. [2]

4. Concept of Trademark Infringement

Given the benefits and importance of trademarks in the world of commerce and the flourishing of economic markets, legal protection for trademark holders against potential risks and misuse that threaten the interests of companies and businesses, as well as to prevent consumer confusion, is essential. On this basis, the Iranian legislator has also provided for the rights arising from the registration of trademarks in the Th.A.T.L. to be subject to various civil and criminal remedies.

Trademark infringement occurs when a trademark belonging to another is used without authorization in a manner that causes confusion or deception of consumers regarding the origin or supply of goods and services, or damages the reputation or distinctive character of the trademark belonging to another. [3] In this regard, the legislator refers to two general criminal behaviors in Clause (b) of Article 40 of the Th.A.T.L.: 1-Unauthorized use of another's trademark, and 2-Any act that habitually leads to an infringement of the rights arising from registration (the rights of the trademark owner). It is noteworthy that the first case is in a way a sub-case of the second behavior, since unauthorized use of another's trademark is essentially an infringement of the trademark owner's most important right, which is the right to use and exploit the trademark. [4] We will further examine the conditions and methods of trademark infringement and refer to the relevant legal provisions in the Iranian legal system, along with judicial practice.

5. Conditions for Trademark Infringement

In summary, the elements of trademark infringement are: the existence of a registered trademark, unauthorized use of the trademark, and the likelihood of confusion regarding the characteristics and quality of the goods or their origin. Based on judicial practice, the commercial nature (non-personal) of the use of the mark should also be considered as one of the conditions for infringement.

As for the existence of a valid trademark, it should be noted that despite the existence of a legal provision for the protection of unregistered trademarks, courts extensively protect trademarks that have not been registered with a competent authority, relying on the concepts of prior use, acquired rights, and unfair competition enshrined in the Paris Convention.

In addition, despite the lack of explicit mention by the legislator of the commercial nature of the use of the mark and only mentioning the unauthorized use of another's mark that causes consumer confusion in absolute terms, it should be said that in the Iranian legal system, as in some other systems, including the US legal system, "commercial use" of the mark (not any use) is a condition for infringement.

Finally, the essential element of infringement, namely the likelihood of confusion or deception of third parties, arises when the aforementioned use leads to the creation of a perception among consumers of a connection, endorsement, or support from the trademark owner for the infringer of the right. [5]

6. Methods of Trademark Infringement

Trademark infringement can occur in various ways, including:

- Use of the identical trademark: This involves using the exact trademark of another person without their authorization. This is the most straightforward and blatant form of infringement.

- Counterfeiting of a registered trademark: This involves imitating the trademark of another person to the point where consumers are likely to be confused about the origin or source of the goods or services. Counterfeiting often involves copying the trademark's design, packaging, or other elements.
- Use of a similar trademark: This involves using a trademark that is similar to the trademark of another person but not identical. If the similarity is likely to cause confusion among consumers, it may be considered infringement.
- Conflict between prior registration and registration of use: This arises when a trademark has been used in commerce for a significant period before it is registered, and the registration of a similar or identical trademark by another party could cause confusion among consumers.
- Use of a trademark in meta tags: This involves using a trademark in the meta tags of a website to improve the website's ranking in search engine results. This can be considered infringement if it is likely to cause consumers to believe that the website is affiliated with the trademark owner.

Explanation of the First Two Methods:

1. Use of the Identical Trademark

The unauthorized use of the identical trademark of another person is the most obvious and direct form of trademark infringement. When a person uses another's trademark without their permission, they are essentially representing their goods or services as if they are associated with the trademark owner. This can mislead consumers into believing that they are purchasing products or services from the trademark owner, even if they are not.

2. Counterfeiting of a Registered Trademark

Counterfeiting involves imitating a trademark to such a degree that consumers are likely to be confused about the origin or source of the goods or services. Counterfeiters often copy the trademark's design, packaging, or other elements to make their products appear as if they are genuine products of the trademark owner. This can damage the reputation of the trademark owner and cause financial harm to consumers who are deceived into purchasing counterfeit products.

6.1. Using the same trademark

One of the obvious examples of violation of the trademark and its owner's rights occurs when someone uses the same registered trademark on other goods, products and services in such a way that the consumer thinks that this is the original product. Since the element of misleading is fully realized, the possibility of misleading and deceiving the consumer is assumed.

6.2. Forgery of registered trademark

If a person falsifies a trademark after it has been registered and harms the rights of its owner, he will be punished for forging the trademark. We also see Article 61 of the Criminal Code, in which the intent to defraud is not a condition. The important point is that forging a trademark is not necessarily the same as violating the rights of the trademark owner [3].

7. Legal Consequences and Remedies in the Iranian Legal System

The existence of general laws to protect and support intellectual property rights can motivate innovation and production. Given that trademarks are an important complement to economic and technological growth and development and have a significant impact on the competitiveness of companies in domestic and international markets, considering protections and remedies to safeguard the rights of their holders is of great importance. In this regard, we have witnessed various regulations in the field of protecting the rights of trademark holders and criminalizing trademark rights-infringing behaviors in the Iranian legal system.

In the case of using a trademark belonging to another person, which is mentioned in Article 40 of the Th.A.T.L. as one of the instances of infringement of the rights arising from trademark registration, according to Article 61 of the said law, a financial penalty of ten to fifty million Rials and 91 days to six months in prison or both are considered as remedies. However, this level of punishment cannot achieve preventive goals. In addition, sometimes the violated interests of the holder may not be commensurate with this amount of punishment, and therefore, the principle of proportionality of crime and punishment may be compromised. [6] [7]

In the Islamic Penal Code, we have two articles, 525 and 529, regarding the crime of forging or using a forged trademark. The punishment mentioned in Article 525 is heavier due to the importance of trademarks belonging to companies and other government institutions. Also, the crimes mentioned in these articles should be considered non-compromisable.

If the crimes in question are committed in the cyber environment and in the context of electronic transactions, there are articles in the 2009 Computer Crimes Law and the 2003 E-Commerce Law that provide various remedies and have considered criminal liability for these cases. [4]

It is noteworthy that the legislator has prohibited the definitive entry of "goods with a mark or name or trademark or other specifications on the goods themselves or on their packaging in order to deceive the buyer and consumer about the manufacturer or place of manufacture or properties or main characteristics of that goods" in Clause (r) of Article 122 of the Customs Law of 1390.

8. Trademarks in South Korea: Legal Framework and Enforcement

In today's competitive marketplace, trademarks play a crucial role in differentiating a company's products and services from those of its rivals. This is why the protection of trademarks is of paramount importance. In the South Korean legal system, the unauthorized use of another's trademark constitutes an infringement of intellectual property rights and can be subject to civil, criminal, and administrative penalties.

Relevant Laws:

1. Trademark Act: This Act establishes the primary framework for trademark protection in South Korea.
 - a. Registrable Subject Matter: i. Names, marks, designs, symbols, or combinations thereof ii. Colors, if sufficient to distinguish goods or services iii. Sounds
 - b. Prohibitions on Trademark Registration: i. Deceptive marks ii. Marks contrary to public order or good morals iii. Marks similar to previously registered trademarks
2. Fair Competition Act: This Act safeguards fair competition in the market and prohibits deceptive use of trademarks.
 - a. Prohibited Acts: i. Using another's trademark to cause confusion among consumers ii. Falsely claiming affiliation with another company iii. Copying a competitor's trademark, packaging, or trade name
3. Civil Code: This Code outlines general concepts of property rights, including those pertaining to trademarks.
 - a. Rights of a Registered Trademark Owner: i. Exclusive use of the mark in South Korea ii. Preventing others from using the mark iii. Seeking damages for trademark infringement

Types of Trademark Infringement:

- a. Direct Use: Unauthorized use of a third-party's registered trademark on similar goods or services.

Example: Using Nike's logo on unauthorized sports apparel

- b. Indirect Use: Use of a third-party's registered trademark in a manner likely to cause confusion among consumers.

Example: Using a name similar to the registered trademark "Coca-Cola" for another beverage

- c. Trademark Dilution: Repeated use of a mark similar to a third-party's registered trademark, weakening the distinctiveness of the mark.

Example: Using a logo resembling McDonald's logo for another restaurant

Remedies for Trademark Infringement:

- a. Civil Remedies:
 - i. The registered trademark owner can claim damages from the infringer. ii. The infringer may be ordered to cease using the trademark and destroy counterfeit goods.

Example: Samsung can recover damages from an infringer using its trademark on counterfeit smartphones and demand they stop selling them.

b. Criminal Penalties:

In cases of willful trademark infringement, the infringer may face imprisonment or fines.

c. Administrative Sanctions:

The Korea Intellectual Property Office (KIPO) can impose fines on infringers or revoke their trademark registration.

Case Study: Samsung Electronics v. Apple

In this high-profile case, Samsung Electronics was accused of infringing several of Apple's registered trademarks, including "iPhone" and "iPad." Apple alleged that Samsung had copied the design and features of its products in its Galaxy smartphones and tablets.

The South Korean court ultimately ruled in favor of Apple, ordering Samsung to pay damages of 1 billion Korean won (equivalent to \$840 million USD). The court also mandated Samsung to halt sales of certain Galaxy smartphone models in South Korea.

This case stands as one of the most significant trademark infringement cases in South Korean history, with far-reaching implications for the country's technology industry. It also underscores South Korea's commitment to protecting intellectual property rights.

9. Use of Others' Legal Marks in the Chinese Legal System

In the modern world of commerce, trademarks serve as the visual identity of a company and play a crucial role in differentiating its products and services from those of its competitors. This is why the protection of trademarks is of paramount importance. In the Chinese legal system, the unauthorized use of another's trademark constitutes an infringement of intellectual property rights and can have severe consequences for the infringer.

The Trademark Law, the Anti-Unfair Competition Law, and the Civil Code of China provide the necessary legal framework for trademark protection. Under these laws, the unauthorized use of a third-party's registered trademark, whether direct, indirect, or dilutive, is considered trademark infringement.

Upon proof of trademark infringement, the owner of the registered trademark can take legal action to enforce their rights. Various penalties are available for trademark infringement, including compensation, injunctions against further use of the mark, and the destruction of counterfeit goods. Additionally, criminal penalties such as imprisonment and fines, as well as administrative sanctions such as fines and revocation of trademark registration, may be imposed.

In 2020, New Balance, a well-known global brand of athletic footwear and apparel, was ordered to pay a \$1.5 million fine for misleading advertising in China. This case garnered significant attention due to China's stringent advertising regulations and the brand's popularity in the country.

In its Chinese advertising, New Balance had claimed that its sneakers incorporated a specific technology that could significantly enhance one's athletic performance. However, after investigating these claims, the China Administration for Market Regulation (CAMR) determined them to be unsubstantiated and misleading. The CAMR further stated that New Balance did not employ this particular technology in any of its sneakers sold in China.

As a result of this ruling, New Balance was ordered to pay a \$1.5 million fine to the Chinese government. Additionally, the company was compelled to remove its misleading advertisements from both online and offline platforms.

This case highlights the Chinese government's serious stance against misleading advertising and its willingness to penalize companies that violate the country's advertising regulations. It also serves as a warning to foreign companies operating in China to adhere to truthfulness and accuracy in their advertising and refrain from making unsubstantiated claims.

10. Conclusion

As mentioned, trademarks, as a well-established legal institution, play an effective role in the prosperity and sustainability of the economic market and businesses. Therefore, recognizing trademark infringement behaviors and considering legal protections and regulations to combat and prevent them is noteworthy. Based on the conditions, methods, and remedies discussed regarding the most important instance of such behaviors, unauthorized use of another's trademark, it can be said that despite the protection of trademarks according to the Th.A.T.L. being subject to their registration with the competent authority, considering the judicial practice, it can be claimed that the Iranian legal system, and specifically the aforementioned law, also protects unregistered trademarks. However, trademark registration by the holder remains the first step to prevent unauthorized use by others, as registration grants the registrant the exclusive legal right to use that trademark in the market.

The dispersion of legal regulations related to the enforcement of unauthorized use of another's trademark shows that Iran does not have uniform regulations, and in the absence of adherence to jurisprudential and legal principles, the applicable law cannot be discerned.

Considering the aforementioned and the role that trademarks play in economic development through protecting intellectual property, creating a competitive advantage, valuation and marketing, preventing consumer confusion, and facilitating trade, the following proposals are made based on the research findings:

1. The practice of courts in protecting unregistered trademarks, despite the lack of explicit legal provisions, which has sometimes even led to the annulment of another registered trademark [5], should be reformed and brought into line with a legal approach; because this practice discourages businesses and companies that spend money to register trademarks, while there is a possibility of its annulment by filing a lawsuit by the holder of an unregistered trademark. This can lead to a lack of motivation for trademark registration and create greater challenges in protecting industrial property rights, and specifically trademark rights.
2. The ground should be prepared for the increased use of the legal institution mentioned in Article 44 of the Th.A.T.L., which is the license agreement for the exploitation of trademark registration or application, and incentives should be created in this regard.
3. With the increasing emergence and entry of artificial intelligence technology in all areas, measures should be taken to control the impact of this phenomenon in the field of trademark infringement. For example, artificial intelligence may offer counterfeit or trademark-infringing products in a list of goods and products provided to guide consumers in making a better choice, which can mislead consumers. [2] Therefore, in this case, it should be determined who is responsible for the infringement.
4. Artificial intelligence tools can be used to analyze large volumes of data, including images, text, and videos, to identify trademark infringement. These tools can help us identify subtle and complex infringements that may not be detectable by humans. In addition, they can be made available to the public for similarity searching and monitoring infringement of the rights of other owners.

It seems that in order to achieve the aforementioned goals, it is undeniable to utilize modern tools and update laws in light of the requirements of the new world. Therefore, it is appropriate for the research centers of the Parliament and the government to become active in this regard and find solutions using the capacity of university elites.

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