

**The People's Republic of China**  
**The Shandong Higher People's Court**  
**Civil Judgment**

(2011)LMSZZ156

Appellant (Defendant in the 1<sup>st</sup> instance): Mengzhou City Guangyu Fur Co.,Ltd., Sangpo, Nanzhuang, Mengzhou, Henan Province

Legal representative: DING Heguang

Attorneys: YANG Ming from JINGTIAN & GONGCHENG

Appellee (Plaintiff in the 1<sup>st</sup> instance): Deckers Outdoor Corporation, 495-A South Fairview Ave Goleta, CA 93117, United States

Legal Representative: Angel Martinez, CEO

Attorneys: AN Xiaodi from AN, TIAN, ZHANG & PARTNERS

DU Mingliang from AN, TIAN, ZHANG & PARTNERS

The Appellant Mengzhou City Guangyu Fur Co.,Ltd. (hereinafter referred to as "Guangyu") is not satisfied with the No. (2010)QMSCZ291 judgment made by Qingdao Intermediate People's Court concerning the infringement case initiated by the Appellee Deckers Outdoor Corporation (hereinafter referred to as "Deckers") and therefore appealed to this court. This court formed a collegiate bench according to law and held a

public trial. The Appellant entrusted YANG Ming as their attorney and the Appellee entrusted AN Xiaodi and DU Mingliang as their attorneys to attend the hearing. Now this case has been concluded.

Deckers asserted in the 1<sup>st</sup> instance that: Deckers is a multinational corporation established since 1973, mainly specializing in foot ware manufacture and sale. On October 14, 1996, the mark UGG was registered in the name of Deckers under Reg. No. 880518 in Class 25. Legally registered and renewed by Deckers, the trademark is well in force by now and enjoys great reputation in the foot ware industry. On June 24, 2010, Qingdao Customs informed Deckers of the stoppage of 5,900 sheepskin boots, sheepskin shoes and sheepskin sandals bearing the mark “UGG” on labels which are either attached to the shoes or hanged over. Guangyu’s infringing activities constituted infringement to Deckers’ exclusive rights on the trademark “UGG” and caused serious damages to Deckers. Therefore, pursuant to relevant laws, Deckers requested the court to order Guangyu to: 1. immediately stop infringing the exclusive right to use registered trademark of plaintiff, including manufacturing, exporting and selling the infringing products including sheepskin boots, sheepskin shoes and sheepskin sandals, bearing the mark “UGG” or any other similar marks thereof; 2. immediately stop using and destroy the existing inventories, packages, publicizing materials, price lists, etc.

bearing the mark “UGG” or any other similar marks thereof , including the 5,900 sheepskin boots, sheepskin shoes and sheepskin sandals bearing the mark “UGG” stopped by Qingdao Customs; 3. apologize to Deckers in written form and make declaration on “Jiaozuo Daily” and “Jiaozuo Evening” to eliminate the negative effects; 4. compensate RMB500,000 Yuan to Deckers; 5. pay for the lawyer’s fee, investigation fee, communication fee, and other reasonable expenses that plaintiff has spent on stopping the infringing acts of defendants, totaling RMB100,000 Yuan; 6. bear the storage, delivery and disposal fee relating to the infringing goods in question; 7. bear the court fee.

The 1<sup>st</sup> instance court made the following findings: on October 14, 1996, the Trademark Office under the State Administration of Industry and Commerce of the People's Republic of China issued a registration certificate (No. 880518), indicating that the registrant was UGG HOLDINGS, INC, the trademark was "UGG", the designated goods are goods in Class 25, namely shoes, clothing, Peaks (Cap-), short outerclothing, Tee-shirts, sweater with round collar and long sleeves, short coats, and the term of the registration shall be October 14, 1996 - October 13, 2006.

On August 28, 2005, the Trademark Office under the State

Administration of Industry and Commerce of the People's Republic of China issued a certificate of trademark assignment indicating that "the assignment of the trademark under Reg. No. 880518 is hereby approved; assignee: DECKERS OUTDOOR CORPORATION; address of the assignee: 495-A South Fairview Ave Goleta, CA 93117, United States.

On June 20, 2006, the Trademark Office under the State Administration of Industry and Commerce of the People's Republic of China issued a certificate of approval on registration renewal indicating that "We hereby approve the renewal of the trademark registration under Reg. No. 880518. The term of the renewed registration shall be from October 14, 2006 to October 13, 2016".

The Trademark Office under the State Administration of Industry and Commerce of the People's Republic of China issued a certification of trademark registration (No. 880518) indicating that the trademark UGG has been registered in the name of DECKERS OUTDOOR CORPORATION with a registered address at 495-A South Fairview Ave Goleta, CA 93117, United States in Class 25 (i.e., shoes, clothing, Peaks (Cap-), short outerclothing, Tee-shirts, sweater with round collar and long sleeves, short coats) and shall be in force from October 14, 2006 to October 13, 2016.

Deckers registered the trademark "UGG AUSTRALIA" in Class 25 in Australia.

On May 1, 2010, Guangyu and Grand International Trading Pty Ltd. Signed a contract which stipulated that: Guangyu will proceed with OEM production with the trademark "UGG Grand Australia" provided by the purchaser; the amount of products under this contract is 5900 pairs; the contract value is US\$131,468.00; the contract strictly forbidden Guangyu from assignment and sale of the products in China. Grand International Trading Pty Ltd. Authorized Guangyu to use the trademark "UGG GRAND AUSTRALIA".

On June 24, 2010, Qingdao Customs informed Deckers of the stoppage of 5,900 sheepskin boots, sheepskin shoes and sheepskin sandals bearing the mark "UGG" declared by Guangyu which might be involved in infringement to Deckers' exclusive trademark right. Deckers submitted an application for Customs Protection requesting the customs to seize the said infringing goods in question.

On August 5, 2010, Huangdao Customs of the PRC issued the Notification of Taking IPR Customs Protection Measures from Huangdao Customs of

the People's Republic of China (HGZT[2010] No. 12 and 13), informing Deckers that the customs seized the infringing goods in question on August 4, 2010 based on Deckers' application and the customs would conduct an investigation after the seizure in order to determine whether the seized goods constitute infringement to intellectual property rights.

On August 31, 2010, Huangdao Customs of the PRC issued the Notification of the Investigation Result of IPR Condition from Huangdao Customs of The People's Republic of China (HGZT [2010] No. 01 and 02), declaring that the Customs could not conclude whether the seized goods infringed the trademark right of UGG which had been recorded at the Customs by Deckers. Pursuant to Rule 23 of the Regulations of Customs Protection of Intellectual Property Rights of the People's Republic of China, Deckers is entitled to apply for injunction on infringing acts or asset preservation. If the customs does not receive a Notification Requiring Assistance in Enforcement from the people's court within 50 working days from the date of seizure, the customs will release the infringing goods in question as seized pursuant to Rule 24.2 of the Regulations of Customs Protection of Intellectual Property Rights of the People's Republic of China.

In No. 163 Qingdao Pictorial (July 2010), there is an explanation of "UGG

snowboots” in the column of “Collection of New Century ‘Ugly Articles’” that “UGG was first known as ugly boots which was later called "UGG" by Australians. UGG, is the generic name of a certain type of boots, rather than a brand name”.

On October 12, 2010, based on Deckers’ application, the court preserved 5,900 pairs of sheepskin boots, sheepskin shoes and sheepskin slippers bearing the mark “UGG” declared by Guangyu to Huangdao Customs for export to Australia in two batches by way of sector-specific trade with imported materials. All the sheepskin boots, sheepskin shoes and sheepskin slippers bore the trademark “UGG Grand Australia” of which “UGG” and “Grand Australia” are splitted into two lines. As to size comparison between “UGG” and “Grand Australia”, “Grand Australia” is only 1/4 of “UGG”.

It is also found that Grand International Trading Pty Ltd. is applying for registration of the trademark “UGG GRAND AUSTRALIA”.

The explanation of ugg boot in the Macquarie Australia’s National Dictionary is that “a boot with an upper made from sheepskin with the fleece tanned into the skin, the fleece being on the inside of the boot and the leather on the outside. Also, ug boot, ugh boot”.

The 1<sup>st</sup> instance court held that, the key issues of the present case can be summarized as follows: 1. Whether UGG is a generic name; 2. Whether Guangyu's act infringed Deckers' trademark right; 3. Amount of damages if Guangyu's acts infringed Deckers' trademark right.

1. With regard to the issue whether UGG is a generic name, the court holds that, when judging whether the trademark in dispute is a generic name, the court should examine whether it is a statutory or customary name of commodities. A trademark shall be deemed as a generic name if it has been defined by law, national standard or industrial standard as a generic name. If the trademark is widely accepted by the relevant public as an indicator of a certain commodity, it shall be deemed as customary generic name. Professional reference books and dictionaries that list the trademark as the name of a commodity can be taken as reference in recognition of a generic name. A customary generic name is usually recognized according to a standard of common knowledge of the relevant public in the whole country. The name formed due to the local historical tradition, customs, geographic environment, etc. and widely accepted in the relevant market can be recognized as a generic name. Although Guangyu submitted sufficient evidence to certify that UGG is a

generic name, it cannot be used for the recognition because the exhibits are either illegal and unacceptable or just opinions of the local media or an individual. The publisher of Macquaries Australia's National Dictionary cannot take the place of the relevant public because he is just an expert on definition of words. Therefore, professional reference books and dictionaries that list the trademark as the name of a commodity can only be taken as reference in recognition of a generic name, rather than the final conclusion. In view of the above, without further valid evidence provided by Guangyu, it cannot be determined that UGG is a generic name in Australia.

2. With regard to the issue whether Guangyu's act infringed Deckers' trademark right, the court holds that, without permission from the trademark registrant, the use of a trademark which is identical with or similar to the registered trademark on the same or similar goods constitutes an act of trademark infringement. The Customs implements protection of the exclusive rights to use a trademark, copyrights and the rights related thereto, and patent rights that are related to import and export goods and that are protected by PRC laws and administrative regulations. The State prohibits the import and export of goods that infringe upon Intellectual Property Rights.

With respect to a trademark designated or provided for use by another party, foreign trade operators shall, when engaging in import and export, request such party to provide true and valid supporting documents on the exclusive right to the trademark or supporting documents on the licensing of such trademark within the scope, and verify the documents. Such trademark may not be identical or similar to the trademarks registered on identical or similar existing Chinese commodities, and the packaging of the commodities with such trademark may not be identical or similar to the existing packaging by another party in China.

Although Guangyu used the trademark “UGG Grand Australia” on the infringing sheepskin boots, sheepskin shoes and sheepskin slippers in question, Guangyu divided “UGG” and “Grand Australia” into two lines in actual use and intentionally enlarge the word “UGG” so as to achieve the objective of prominently use of this trademark. “Grand Australia” is only 1/4 of “UGG”. The difference in size is so obvious that an average consumer would focus on the word UGG. From the normal viewing distance for purchasing goods, only the word UGG can be clearly seen while “Grand Australia” cannot. This would cause a generally indifferent visual effect between Guangyu’s trademark and the registered trademark “UGG”. Therefore, Guangyu prominently

used the trademark “UGG” on the infringing goods in question and it should be concluded that Guangyu used a trademark which is identical with Deckers’ registered trademark on identical goods.

A trademark right is territorial. Even if the trademark “UGG Grand Australia” had been registered by Grand International Trading Pty Ltd. or “UGG” had been a generic name in Australia, the territory in which the said company may enjoy legal rights and interests based on the registration or the trademark registration of UGG cannot prohibit others from reasonable use as UGG is a generic name in Australia shall be limited in Australia and cannot extend to China. As Deckers had legally registered the trademark UGG and went through the formalities for recording this trademark at the General Administration of Customs, Deckers is the legal registrant of the trademark UGG, enjoys the exclusive rights on this trademark and is under protection of the relevant domestic laws in China. Use of the trademark UGG on identical goods within the territory of China shall be permitted by the trademark owner or it will constitute infringement.

Guangyu argued that no infringement is constituted because 1. Anyone who registers a generic name as a trademark has no right to prohibit others from using the said generic name; 2. Guangyu used

the trademark “UGG Grand Australia” for OEM production. The boots produced are not sold in the Chinese market and it is impossible to cause confusion or misleading to the relevant public in China. Therefore, the use of the trademark “UGG Grand Australia” by Guangyu is not the use of a trademark as defined in the Trademark Law; 3. When signing the contract with Grand International Trading Pty Ltd., Guangyu had required the client to provide authorization for using the client’s trademark and had therefore done its duty of reasonable care. However, firstly, Guangyu failed to prove that “UGG” is a generic name in Australia. Therefore Guangyu’s argument that Deckers has no right to limit its use of the said generic name is not well founded; Secondly, when determining OEM production does not constitute infringement, the following elements must be taken into consideration: 1. whether the manufacturer produces according to the requirements of the foreign customer; 2. whether all the products are delivered to the foreign customer; 3. whether the relevant goods are the same or similar; 4. whether the manufacturer has fulfilled its obligation to verify the legitimate trademark rights; 5. the distinctiveness of the mark and the cognition of the average consumers; 6. the way the mark is used on the goods. In the present case, though Guangyu had required the client to provide authorization for using the client’s trademark when signing the contract with Grand

International Trading Pty Ltd., it failed to examine whether the client enjoys legitimate trademark right. When determining OEM production does not constitute infringement, the client must enjoy legitimate trademark right or it would be unfair to the trademark owner. Guangyu failed to use the trademark specimens as provided by the client in a normal way but instead used “UGG” in an outstanding way deliberately, while “UGG” a registered trademark owned by Deckers which enjoyed relatively high reputation among relevant public; Thirdly, Guangyu argued that its use of the trademark “UGG Grand Australia” is not the use of a trademark as prescribed in the Trademark Law. An academic opinion cannot take the place of law and Guangyu’s argument does not have a legal basis.

In view of the above, Guangyu’s argument as described above does not have a legal basis. Guangyu’s act infringed Deckers’ trademark right and shall take the corresponding civil liability.

3. With respect to the amount of damages, the 1<sup>st</sup> instance court held that the amount of damages for trademark infringement shall be the profit obtained by the infringer in the duration of infringement or the loss the infringed suffered from Guangyu’s infringement in the duration of infringement, including the reasonable expense the

infringed paid for stopping the infringing acts. If it is impossible to determine Guangyu's profit from the infringement or the loss the infringed suffered from the infringement, the court may decide an amount in its own discretion according to the circumstances of the infringing acts. In the present case, Deckers failed to provide evidence proving the loss the infringed suffered from the infringement or Guangyu's profit from the infringement. As Deckers is a globally famous multinational company engaged in manufacture and sale of foot wares and Deckers' brand, its trademark in China has relatively high awareness. Therefore, based on the value of Deckers' trademark, famousness of the trademark, seriousness of Guangyu's subjective fault, scope and circumstance of the infringing acts and the reasonable expense Deckers had paid to stop Guangyu's infringement, the court determines an economic damages in an amount of RMB100,000.

With respect to Deckers' claim for written apology by Guangyu on Jiaozuo Daily and Jiaozuo Evening News to eliminate impact, the court holds that a trademark right is a property right. Therefore, the court refuses the said claim asserted by Deckers.

Pursuant to Articles 52.1 and 56.1 of the Trademark Law of the People's Republic of China, Articles 9 and 17 of the Supreme People's Court's Interpretation of Several Questions on Application of Laws in Civil Cases on Trademark Dispute, Article 7 of the Supreme People's Court's Opinion on Several Questions in Administrative Cases on Trademark Authorization and Ownership Affirmation and Articles 2 and .31 of the Regulations of Customs Protection of Intellectual Property Rights of the People's Republic of China, the court rules that: 1. Guangyu shall immediately stop its activities of infringing the trademark rights of "UGG" of Deckers as soon as the judgment takes effect; namely, stopping the production of the sheepskin boots, shoes and slippers; destroying existing trademark labels, packages, promotional materials which infringe Deckers' trademark rights on UGG; 2. Guangyu shall pay Deckers 100,000 RMB Yuan within 10 days after the judgment takes effect. If Guangyu fails to pay in time, Guangyu shall pay double the interest accrued during the arrear period; 3. The court rejects all the other claims of Deckers (mainly apology and public statement). The court fee in an amount of RMB9800 and the preservation fee in an amount of RMB3550 shall be shared by Guangyu (RMB9000) and Deckers (RM4350).

The Appellant is not satisfied with the 1<sup>st</sup> instance judgment and

appealed to this court, requesting this court to revoke the 1<sup>st</sup> instance judgment and commute it to dismiss all claims asserted by Deckers and order Deckers to bear all court fee for both instances. Their major arguments are as follows: 1. UGG is the name of an Australian specialty (sheepskin boots or snow boots). As the word UGG has been formed based on the Australian history, tradition, customs and geographic environment, it is reasonable to determine whether it is a customary product name based on the general name in the Australian market and the recognition of the relevant Australian public. The dictionary entries, the decision issued by Australian administrative authorities (Australian Trademark Office), the statement from industrial associations (Australian Sheepskin Association), the legal opinion of an Australian lawyer or even the description on a Chinese magazine could prove that UGG is the generic name of a certain type of boots in Australia. It is a mistake that the 1st instance court took the common knowledge of relevant public in China as the standards for determination and reached a conclusion that “it cannot be concluded that UGG is a generic name in Australia”. 2. All UGG produced by Guangyu for OEM purpose is to be sold in Australia. As UGG is a generic name of sheepskin boots (or snow boots) in Australia, the Australian consumers will never be confused based on their common knowledge. As the Chinese consumers have no chance to access the UGG produced by Guangyu, it is impossible to cause confusion or

misunderstanding with Deckers' registered trademark. 3. There is no causal relationship between the loss of Deckers and the activities of Guangyu because UGG produced by Guangyu is not sold in the Chinese market. The 1<sup>st</sup> instance court has made a mistake in application of laws by ordering Guangyu to pay damages in an amount of RMB100,000.

The Appellee Deckers argued that: 1. The trademark "UGG" is a valid trademark legally registered by Deckers in China, rather than a generic name. As early in 1996, Deckers had registered the trademark "UGG" which has acquired significant reputation among Chinese consumers after years of promotion by Deckers. Guangyu failed to provide evidence showing that UGG is a generic name within the territory of China. Though Guangyu asserted that UGG is a generic name in Australia, it is a fact and legal relationship outside the territory of China and is not within the adjustment range of the Trademark Law of the PRC as a trademark law is territorial. Therefore, whether UGG is a generic name in Australia has nothing to do with the present case. Moreover, Guangyu failed to submit sufficient evidence to prove that UGG is a generic name in Australia. 2. Guangyu's OEM production has constituted infringement to Deckers' trademark right. The foreign purchaser of the infringing goods in dispute has no rights on the trademark "UGG GRAND AUSTRALIA" which it licensed Guangyu to use and Guangyu failed to use the

trademark “UGG” as provided by the foreign purchaser. Therefore, Guangyu’s activity of using the trademark “UGG” prominently on its products without permission from Deckers is an infringement to Deckers’ exclusive rights on the registered trademark “UGG”. 3. In order to stop Guangyu’s infringing activities, Deckers’ has paid a large sum of attorney fee, investigation fee, storage fee, etc., which are reasonable expense for the present case and shall be included as damages. Besides, in view of the significant reputation of the trademark “UGG” within the territory of China, Guangyu must have been benefitted significantly from its infringing activities. Therefore, the amount of the damages as ruled in the 1<sup>st</sup> instance judgment is justified. In view of the above, the 1<sup>st</sup> instance court made clear findings and appropriate application of law. The Appellee therefore prayed for dismissal of the appeal and upholding of the 1<sup>st</sup> instance judgment.

In the 2<sup>nd</sup> instance, Guangyu submitted a notary deed issued by an Australian notary public to further certify the authenticity of the content of the website of the Australian Sheepskin Association and the downloaded Australian Trademark Office Decision which were submitted in the 1<sup>st</sup> instance, as well as the fact that UGG is a generic name of sheepskin boots in Australia. Deckers had no opposition against this piece of evidence on its authenticity, but held that its content cannot

prove Guangyu's assertion. The court holds that the authenticity of the notary deed submitted by Guangyu can be confirmed but whether UGG is a generic name in Australia has nothing to do with determination of infringement in the present case. Therefore, none of the above evidence is relevant to the present case and the court will not accept any of them.

The Appellee Deckers submitted the following evidence: 1. An English-Chinese/Chinese-English Dictionary of Footwear Classified published by China Textile Press; 2. Cover page, copyright page and page 1271 of MACQUARIE AUSTRALIA'S NATIONAL DICTIONARY CONCISE DICTIONARY Third Edition; 3. Cover page, copyright page and page 876 of MACQUARIE AUSTRALIA'S NATIONAL DICTIONARY ESSENTIAL DICTIONARY; 4. An extract from Foot Ware Terms of a National Standard of the People's Republic of China. The above evidence is used to certify that UGG is not a generic name. 5. Administrative Verdict under No. (2010)GXZZ265 issued by Beijing Higher People's Court, Civil Verdict under No. (2010)PMS(Z)CZ670 issued by Shanghai Pudong District People's Court and Civil Verdicts under No. (2011)ZZFZMCZ1 and 9 issued by Zhuhai Intermediate People's Court, which is used to certify that OEM production using a third party's trademark constitutes infringement. 6. An invoice for professional fee in an amount of RMB287,680 issued by AN, TIAN, ZHANG & PARTNERS, which is used to certify the amount of

the reasonable expense paid by Deckers for the present case. Guangyu had no opposition against evidence 1-3 on their authenticity but held that the registration of UGG as a trademark shall not influence its nature as a generic name; Guangyu raised opposition against evidence 4 and 5 on their authenticity because they are just photocopies; Guangyu had no opposition against evidence 6 but held that the invoice was issued on August 15, 2011 and cannot certify the loss incurred in this case. The court holds that all the above evidence submitted by Deckers is not relevant to the present case and will not be accepted.

The findings revealed by the present court are in accordance with that revealed by the 1<sup>st</sup> instance court.

The court holds that, the key issues of the dispute between the two parties are: 1. Whether UGG is a generic name of a kind of sheepskin boots and whether the use of the mark UGG on the infringing goods in dispute by Guangyu is reasonable; 2. Whether Guangyu's OEM production has constituted infringement to Deckers' exclusive rights on the registered trademark in dispute; 3. Whether the amount of damages as ruled in the 1<sup>st</sup> instance judgment is appropriate.

1. The issue of Whether UGG is a generic name of a kind of sheepskin

boots and whether the use of the mark UGG on the infringing goods in dispute by Guangyu is reasonable. A trademark right is territorial and its scope shall be subject to country-level jurisdiction. The trademark “UGG” in dispute owned by Deckers was legally approved and registered in the People’s Republic of China and is still in force. Therefore, its exclusive trademark right shall be protected under the law within the territory of the People’s Republic of China. According to Rule 49 of the Implementing Regulations of the Trademark Law of the People’s Republic of China, Where a registered trademark consists of the generic name, design or model of the goods in question, or directly shows the quality, main raw materials, functions, intended purposes, weight, quantity or other characteristics of the goods in question, or consists of geographical names, the proprietor of the exclusive right to use the registered trademark shall have no right to prohibit the fair use thereof by another person. The infringing goods in dispute such as the sheepskin boots were manufactured by Guangyu in the People’s Republic of China and are identical with the designated goods under the trademark “UGG” in dispute owned by Deckers. Therefore, Guangyu needs to prove that UGG is a generic name for a kind of sheepskin boots in the People’s Republic of China to support its argument that the use of the mark UGG on the infringing goods in dispute by Guangyu is reasonable. However,

Guangyu failed to provide any evidence certifying that UGG is a generic name of a kind of sheepskin boots in China but submitted relevant evidence to prove that UGG is a generic of a kind of sheepskin boots in Australia, while whether UGG is a generic name of a kind of sheepskin boots in Australia has nothing to do with the present case and is out of the inspection range of the present case. Therefore, Guangyu's argument that Guangyu has used the trademark "UGG" on the infringing goods in dispute reasonably because UGG is a generic name of a kind of sheepskin boots in Australia cannot be established due to lack of factual and legal basis.

2. The issue that Whether Guangyu's OEM production has constituted infringement to Deckers' exclusive rights on the registered trademark in dispute. OEM production means commercial activities in which a domestic manufacturer manufactures products based on an order from a foreign enterprise and using a brand designated by the foreign enterprise and delivers the products to the foreign enterprise. According to Article 10 of Regulations related to Trademark Administration in Foreign Trade jointly issued by The Ministry of Foreign Trade And Economic Cooperation and the State Administration of Industry and Commerce, With respect to a trademark designated or provided for use by another party, foreign

trade operators shall, when engaging in import and export, request such party to provide true and valid supporting documents on the exclusive right to the trademark or supporting documents on the licensing of such trademark within the scope, and verify the documents. Such trademark may not be identical or similar to the trademarks registered on identical or similar existing Chinese commodities, and the packaging of the commodities with such trademark may not be identical or similar to the existing packaging by another party in China. According to this Article, the entrusted party is liable to examine the trademark designated or provided by a third party. In the present case, Guangyu asserted that it was entrusted by its foreign client Grand International Trading Pty Ltd to produce the infringing goods in dispute under OEM order and submitted a "Sales Contract" between the two parties. However, according to this contract, the trademark to be used for OEM production by Guangyu and provided by Grand International Pty Ltd is "UGG GRAND AUSTRALIA, while Guangyu actually used "UGG Grand Australia" on the infringing goods in dispute. Moreover, the mark used on the infringing goods in dispute has been divided into two lines and "UGG" in the first line obviously has a large font size as compared "Grand Australia" in the second line. The way of use of the word "UGG" by isolation and prominent arrangement has actually amplified the

function of the three letters as a trademark. Furthermore, Guangyu failed to provide relevant evidence showing that Grand International Pty Ltd enjoys trademark right or legitimate right of use of “UGG GRAND AUSTRALIA”. UGG is a trademark legitimately registered in the People’s Republic of China by Deckers. Pursuant to Article 52.1 of the Trademark Law of the People’s Republic of China, it shall be shall be an infringement of the exclusive right to use a registered trademark to use a trademark that is identical with or similar to a registered trademark in respect of the identical or similar goods without the authorization from the trademark registrant. Therefore, as the entrusted party, Guangyu failed to take its liability of reasonable examination when signing an OEM contract with a foreign client and its activity of prominently using the trademark “UGG” which is identical with Deckers’ registered trademark on the infringing goods in dispute which is the same as the designated goods of the registered trademark constitutes infringement to Deckers’ registered trademark. Guangyu shall therefore take the civil liability to cease violation and to make compensation for damages.

3. The issue that whether the amount of damages as ruled in the 1<sup>st</sup> instance is reasonable. Pursuant to Article 56 of the Trademark Law of the People’s Republic of China, The amount of damages shall be the

profit that the infringer has earned because of the infringement in the period of the infringement or the injury that the infringer has suffered from the infringement in the period of the infringement, including the appropriate expenses of the infringer for stopping the infringement. Where it is difficult to determine the profit that the infringer has earned because of the infringement in the period of the infringement or the injury that the infringer has suffered from the infringement in the period of the infringement, the People's Court shall impose an amount of damages of no more than RMB 500, 000 yuan according to the circumstances of the infringement. In the present case, as Deckers failed to provide any evidence showing Guangyu's gain from the infringement and Deckers' loss due to the infringement, it is appropriate and consistent with relevant laws and regulations and the facts of the present case for the 1st instance court to determine an economic damages in an amount of RMB100,000 based on the value of the plaintiff's trademark, famousness of the trademark, seriousness of the defendant's subjective fault, scope and circumstance of the infringing acts and the reasonable expense the plaintiff had paid to stop the defendant's infringement .

As a conclusion, the petition of appeal filed by the Appellant Guangyu is not well established due to lack of factual and legal basis and shall be

dismissed. The 1<sup>st</sup> instance judgment is clear in findings and correct in application of law and shall therefore be upheld. Pursuant to Article 153.1.1 of the Civil Procedural Law of the People's Republic of China, the court now makes the following judgment:

to dismiss the appeal and to uphold the 1<sup>st</sup> instance judgment

The court fee for the 2<sup>nd</sup> instance in an amount of RMB2300 shall be afforded by the Appellant Guangyu.

This judgment is final.

Presiding Judge: Lei DAI

Judge: Shuhua YUE

Judge: Weimin LIU

October 19, 2011

Clerk: Yang JIAO