

2020, A Good Year For Trademark Cases (2020)

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During the year 2020, some interesting trademark cases were adjudicated which showcases that the level of protection of trademark rights in China is constantly rising. Most of the judgments were rendered by the Beijing IP Court and the Beijing High Court, in prosecution disputes handled by the trademark administration, i.e., the China Trademark Office (CTMO) and the Trademark Review & Adjudication Board (TRAB) replaced by the China National Intellectual Property Administration (CNIPA) after the recent administrative reshuffling. Other civil infringement cases illustrate the raising level of financial compensation awarded by the courts, who do not hesitate to use punitive damages and endorse contractual damages.

Trademark refusal, oppositions, invalidation (relative grounds)

- **Prior trademark (Article 30 TML)**

The likelihood of confusion is the ultimate reason for refusing or invalidating a trademark. Yet, this concept, which depends on several factors, is not defined in the law. The Beijing IP Court and Beijing High Court are frequently faced with the difficulty to evaluate the degree of similarity between trademarks and between goods, the level of the reputation of a prior trademark, the consequence of a coexistence agreement or, even, decide if it is possible to "extend" the reputation of a registered trademark to a subsequent application.

- Similarity of trademark and of goods

John Deere, the US based manufacturer of agricultural equipment, requested the invalidation of the trademark "Zhongcedeer", citing its prior trademarks "Deere" and "John Deere". The registrant argued that other trademarks including the word "Deere" were registered without any confusion. The TRAB, the Beijing IP Court and the Beijing High Court [(2019) Jing Xing Zhong No. 7233] agreed to invalidate the trademark, adding that the existence of other registered marks containing the word Deere was not decisive to the case.

The US based 3M Company famous for its range of trademarks such as Scotch-Seal and Post-it, tried to eliminate a series of "3LM" trademarks designating sandpapers and abrasives and registered in 2015. The TRAB refused to invalidate, considering that the marks and the products are not similar. The Beijing IP Court confirmed the TRAB's decision. The decisions were reversed by the Beijing High Court [(2019) Jing Xing Zhong No. 1164] who acknowledged the reputation of 3M and determined that the marks are similar and that their products overlap to a large extent.

The reputation can, however, be a double edge argument. This happened to Volvo, the Swedish car manufacturer who requested the invalidation of "VOVO" filed in class 9 (notebooks). The TRAB agreed, but the Beijing IP Court considered that, since Volvo was very well known for cars, but had not yet used the mark in class 9, the public would not be confused. Fortunately, the Beijing High Court [(2019) Jing Xing Zhong No. 3870] disagreed with this reasoning and said that the examination rules do not provide that there is less likelihood of confusion if a trademark enjoys a high reputation.

- Coexistence agreements

When the similarity is not too high, a coexistence agreement can help, but not always.

Dulwich College filed an application for the registration of its name in Chinese, but was rejected by the CTMO citing a trademark using the same two Chinese characters (德威). The TRAB maintained the refusal. Before the Beijing IP Court, Dulwich produced a letter of consent from the registrant of the cited trademark, and the court approved the registration. The TRAB appealed to the Beijing High Court [(2020) Jing Xing Zhong No. 2872] who took into account the global difference between the visual elements of the trademarks, as well as the coexistence agreement, adding that such agreement did not violate any law.

The same scenario happened when Hunter Boots, a UK based company, filed an application for the registration of "HUNTER" in class 3 (shoe cream, waxes and abrasive) and was rejected by the CTMO, who cited two prior trademarks using the same word. Beijing High Court [(2020) Jing Xing Zhong No. 1117] finally considered that, given the co-existence agreement, and again the global difference between the two marks, there was no risk of confusion.

Aviko, a Dutch potato food maker, filed the trademark "AVIKO TULIP" including additional Chinese characters, in class 29 (potato pancakes and other products) but was rejected by the CTMO, who cited no less than 10 prior trademarks. After challenging and eliminating several of them before the TRAB and the Beijing IP Court, Aviko produced letters of consent signed by the two remaining trademark owners. The Beijing High Court [(2019) Jing Xing Zhong No. 6070], based on such coexistence agreements, agreed that the applied trademark could be registered.

Peter Thomas Roth Ltd Co. was not so lucky. His trademark was rejected by the CTMO citing his own related company's prior identical mark. He submitted his coexistence agreement and the Beijing IP Court agreed. But the Beijing High Court [(2017) Jing Xing Zhong No. 761] refused to have two almost identical trademarks registered by two different entities.

- Extension of reputation of a prior registration

This is a relatively rare scenario: the holder of a registered trademark (trademark N.1) wishes to file a new application for another trademark (trademark N.3), but, in between times, a third party has successfully registered a similar trademark (trademark N.2). Whether application of such new trademark N.3 is the extension of its prior registered trademark N. 1? Such an argument is normally not accepted, except in very few cases.

The Italian garments company Dama (class 25), filed a visual trademark which was refused by the CTMO, citing several prior marks. Dama produced evidence of its international reputation and argued that the new trademark was a simplification of its own prior registered trademark in China, but neither the TRAB, the Beijing IP Court nor the Beijing High Court [(2020) Jing Xing Zhong No. 3868] accepted the argument. The new application remained rejected.

The Swiss company Novartis filed the mark "Alcon" in class 9 (contact lens). The mark was refused by the CTMO who cited a prior trademark "Aicon". Novartis tried, in vain, to convince the TRAB, the Beijing IP Court and the Beijing High Court [(2019) Jing Xing Zhong No. 8139] that the reputation acquired by its own prior marks should extend and benefit to its new application.

However, Gillette successfully persuaded the Beijing IP court and the High court to accept to register its "Mach 3" application for shaving lotion in spite of an existing prior trademark "Mach & device". The TRAB and the Beijing IP Court refused but the Beijing High Court [(2019) Jing Xing Zhong No. 7466] acknowledged that Gillette has obtained a high reputation for razor, and that, even if there are some overlapping elements between Mach 3 and Mach & device, the registration of Mach 3 will not create a likelihood of confusion when used on shaving lotion.

• Right of name (Article 32 TML)

Nicholas Kirkwood successfully opposed an application for the registration of his name "Nicholas Kirkwood" in class 9 (sunglasses). The CNIPA, the Beijing IP Court and the Beijing High Court [(2019) Jing Xing Zhong No. 2653] considered that Nicholas Kirkwood is known to the public as a shoe designer, that shoes and sunglasses have a certain relation, and that the applicant was unable to provide a reasonable explanation for choosing such name.

Jeremy Shu-How Lin, the first Chinese basketball player to have been drafted in the NBA, found that his name had been registered in 2011 in class 25 for garments. He applied to the TRAB for the invalidation of the trademark. The TRAB agreed, after verifying that, at the time when the mark was filed, the name of the basketball player was already known in China. Both the Beijing IP Court and the Beijing High Court [(2019) Jing Xing Zhong No. 1230] confirmed the decision.

Michael Jordan, the basketball legend, was faced with an even more difficult situation. His Chinese name "乔丹Qiaodan" had been registered for more than five years and was, therefore, "irrevocable". He, however, took action before the Shanghai Intermediate Court, asking for an injunction to stop using his name. The court could not order the cessation of use but found an original solution: order the defendant to always use signs indicating that it is not related to Michael Jordan [(2012) Hu Er Zhong Min Yi (Min) Chu Zi No. 1].

• Copyright (Article 32 TML)

The US company American Water Chemicals (US) requested the invalidation of a trademark "awc" registered in class 1 (water purifying chemicals), based on its copyright on this design. The TRAB rejected. The Beijing IP Court, however, recognized that the presentation of the three letters, with a wave inside, was unique and deserved to be protected by copyright and invalidated the mark. The decision was confirmed by the Beijing High Court [(2019) Jing Xing Zhong No. 147].

awc

The famous Cognac producer Hennessy registered a copyright protecting the shape of its famous bottle "Paradis" and launched a civil action against several brandy producers who were using this bottle. The Guangdong High Court, after Hennessy produced a statement from the designer of the bottle establishing the transfer of the right, awarded an amount of 500,000 CNY as damages [(2019) Yue Min Zhong No.1665]. This protection of a work of applied art granted in the context of a civil litigation could naturally extend to the context of invalidation or opposition based on Article 32 TML.



- **Bad faith (Articles 32, 15 and 44.1)**

Several cases were adjudicated on the ground of Article 32 TML, which protects a prior used trademark which, although not registered in China, has already reached a "certain influence" in China. The prior user of such mark must establish that the registration has been obtained by "improper means". In such cases, the "improper means" can be proven by the existence of prior business relationships, a circumstance specifically evoked in Article 15 TML. Sometimes, Article 44.1 (obtaining registration by fraudulent means) is also involved.

The German company Dr. Fritz Faulhaber GmbH requested the invalidation of the trademark "Faulhaber", registered in class 7 (electronic industrial equipment), based on its prior use of such mark and on the existence of its prior business relationship with the registrant. The TRAB rejected. The Beijing IP Court maintained decision, considering that the products involved were not the same (the mark had been used on machine parts, while the registration designated complete machines). The Beijing High Court [(2019) Jing Xing Zhong No. 2782] reversed the decision, finding that the goods machine and spare parts are associated products and finding further that, in view of the previous business relationships, the bad faith subjective intention of the trademark registrant should be taken into consideration.

The US based cutlery maker, Ergo Chef, had a distributor in China. This distributor filed an "Ergo Chef" trademark application designating electric toasters, refrigerated cabinets, water purification installations. Ergo opposed and the CTMO agreed to reject the trademark. The TRAB and the Beijing IP Court disagreed, considering that cutlery and toasters are not similar products. The Beijing High Court [(2020) Jing Xing Zhong No. 3727] reversed the decisions, finding that cutlery and toasters are similar products and considering further that the distributor of Ergo Chef had filed the trademark application in bad faith.

Nobilium is a German company specializing in fitted kitchens and owns the trademark "Nobilium" in class 20 (furniture). Nobilia requested the invalidation of a trademark "Nobilium" registered by a Chinese citizen Duan in class 11 (electric heaters). The TRAB refused, considering that the products are not similar. The Beijing IP Court maintained the decision. The Beijing High Court [(2019) Jing Xing Zhong No. 9579] reversed the decision taking into account the high reputation of the Nobilia trademark for kitchen and finding further that Duan had been squatting a significant number of other renowned trademarks, committing the act of "obtaining registration by fraudulent means" provided in Article 44.1 TML.

Creaddict is a Paris based jeweler, reputed for its brand "Redline". In 2016, Creaddict filed a request for invalidation against a trademark "Redline" that had been filed in 2010, by a Mr. Chen, in class 14 (watches and clocks). The mark had been transferred to Yiquan Trading Company. Creaddict claimed and proved that Chen had falsified a license pretending that he was self-employed. The TRAB, then the Beijing IP Court supported the invalidation and cancelled the trademark, on the ground of Article 41.1 (now 44.1) TML (registration obtained by fraudulent means). The cancellation was confirmed by the Beijing High Court [(2019) Jing Xing Zhong No. 4866].

- **Well-known trademarks (Article 13.3 TML)**

Article 13.3 TML provides what is called "cross-category" protection. When a trademark is sufficiently known, its reputation is considered as extending to other categories of goods/services, and the decision is made on a case-by-case basis.

Claiming the well-known status of its trademark, Rolls Royce requested the invalidation of a trademark which was the transliteration of its name in Chinese (劳狮來獅) and had been registered in class 19 (ceramic tiles, floors, marble and architectural glass). The TRAB, finding no relation between cars and floors, refused. The Beijing IP Court reversed the decision of the TRAB, who appealed to the Beijing High Court. The Beijing High Court [(2019) Jing Xing Zhong No.9720] upheld the IP Court's decision and maintained the invalidation.

Volkswagen requested the invalidation of "Da Zhong" (大友 in Chinese characters) that had been registered in class 7 (engine sparks plugs, auto water pumps, shock absorbers). The TRAB refused but the Beijing IP Court considered that the protection of well-known trademarks is not limited to associated goods and should extend to cases where the public may think that there is some association between the trademarks, which could lead to free riding on the reputation of the well-known mark. The Beijing High Court [(2019) Jing Xing Zhong No. 3671] upheld the invalidation.

Revocation for non-use (Article 49 TML)

According to Article 49 TML, a trademark which has not been used for three consecutive years may be revoked upon request of any party. Several cases determine what can be considered as use sufficient to resist an application for revocation.

The German company HAMA requested the revocation of the trademark "HANA" (products of paper in class 16) based on lack of use. Hana produced sales contracts signed with two purchasers, but the CTMO did not accept and revoked the mark. The TRAB, however, accepted such evidence of use and maintained the registration. Hama, the applicant, appealed to the Beijing

IP Court, arguing that all the evidence concerned export out of China, in an "OEM" context, and could not satisfy the requirement of Article 49 TML. Both the Beijing IP Court and the Beijing High Court [(2019) Jing Xing Zhong No. 4766] rejected such argument and confirmed that export of products constitutes satisfactory evidence of use, allowing the registrant to resist a claim of revocation.

The famous car manufacturer Lamborghini, holder of the trademark "URUS" in class 12 (parts of automobiles) successfully resisted a revocation claim based on non-use by proving that it had the genuine intention to use the mark and had made necessary preparation for such use. Both the Beijing IP Court and the Beijing High Court [(2020) Jing Xing Zhong No.1531] rejected the appeals made by the TRAB.

However, in order to resist a non-use revocation, it is necessary that the evidence of use produced by the trademark holder concerns the exact same trademark in question and not another trademark containing the same sign. This disagreement happened to Shenzhen Shenyao Clothing Company, holder of the trademark "CARLI + logo", registered in class 25. The license agreement produced as evidence of use concerned another "CARLI" trademark (without the logo). While the TRAB and the Beijing IP Court had accepted the evidence and maintained the registration, the Beijing High Court [(2019) Jing Xing Zhong No. 5932] refused and revoked the mark.



Civil damages (Article 64 TML and Article 17 AUCL)

Punitive damages have been introduced into the trademark law in 2013. There are more and more cases awarding such kind of damages, even in unfair competition cases (the Anti-Unfair Competition law does not provide for such punitive damages). Contractual damages are also considered in some cases.

Yanhuang Yingdong Technology Development Co., owner of several trademarks "AWS", registered for various computer programs (downloadable software), sued the subsidiary in China of US based Amazon, who uses the letters AWS in its "Cloud services" as an acronym of Amazon Web Service. Amazon argued that there is no possible confusion between the AWS trademark used by the plaintiff and the "Cloud services". The Beijing High Court [(2018) Jing Min Chu No.127], citing a judicial interpretation of the Supreme People's Court which defines the concept of similar goods, awarded Yanhuang an amount of 76,723,000 CNY on the basis of punitive damages.

WYETH LLC, a US based baby powder producer, owner of the trademark Wyeth and its transliteration in Chinese characters, obtained against Guangzhou Wyeth 30 million CNY as punitive damages, before the Hangzhou Intermediate Court. This decision followed a 16-year battle over the invalidation of the defendant's bad faith trademarks for baby lotion in classes 3, 10 and 16 [(2019) Zhe 01 Min Chu No. 412].

CHAPTER 4 CORP, owner of the brand Supreme in class 25 (apparel and hats) took five years, between 2014 and 2019, to obtain the registration of its trademark in China (due to an opposition procedure). Before the trademark was registered, CHAPTER 4 CORP filed a civil action against a copycat before Hangzhou Intermediate Court on the ground of unfair competition and later amended its claims to add the ground of trademark infringement after securing its trademark registration. In December 2020, the Court rendered the first-instance judgment, ordering cease of infringement and awarding the full amount of CNY 8.5 million [(2019) Zhe 01 Min Chu No. 4193].

Schneider Electric sued Suzhou Schneider Elevator Company over trademark infringement before the Jiangsu Suzhou Intermediate Court, asking for 120 million CNY as damages. The Court made a calculation and reached the amount of 20 million CNY. Then, the court considered the reputation of the plaintiff's business of switches and circuit breakers and the relation between elevators and those products and added 100% as punitive damages with an award of 40 million CNY [(2019) Su 05 Zhi Chu No. 643]. An appeal before the Jiangsu High Court is pending. It will be interesting to know whether the High Court will uphold the punitive damages in a case of unfair competition.

The US based Callaway Golf, holder of the trademark "Callaway + logo" in class 25 (hat brims and hats) found an infringer operating at the 2017 Guangzhou Fair and obtained, on the spot, a written undertaking that the infringer would not infringe again, failing which they would pay an amount of 1 million CNY. The infringer was caught again the next year. Callaway launched a civil action before the Guangzhou Intermediate Court who acknowledged the contractual freedom and awarded the exact claimed amount of one million CNY. The decision was upheld by the Guangzhou IP Court [(2019) Yue 73 Min Zhong No. 5977].

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