Two Crocodiles before the Supreme People's Court of China (2021)

Time：Oct 05
2021

Yongjian Lei and Paul Ranjard, October 5, 2021, published by *WTR*

The battle between the French company LACOSTE and the ex-Singaporean company CARTELO over the crocodile device trademark has been going on, in China, for over two decades. In a retrial case concerning the refusal of one of CARTELO's trademarks, the Supreme People's Court has, on 19 October 2020, made a full review and analysis of some of the main aspects of this conflict.

Background

In the 1920s, the French tennis player René Lacoste, nicknamed "Le Crocodile", ranked as the world N°1 player. After he retired from tennis, he invented a technique for knitting cotton thread called "petit piqué", which was used, in 1933, to create the first LACOSTE polo shirt, showing a little green crocodile on its chest. Thereafter, René Lacoste developed, under the crocodile brand a series of high-quality shirts and other clothing. Since then, the brand LACOSTE has gradually become an international brand in many fields such as sportswear, sports equipment, outdoor travel goods and cosmetics. In 1979, the company LACOSTE applied for the registration, in Mainland China, of the crocodile device trademark using the representation of the founder's nickname: "

". The trademark was registered in 1980 under the N° 141103, and LACOSTE started entering the Chinese market in 1984.

However, in other parts of Asia, the crocodile image created in 1933 was already imitated by others. When LACOSTE entered these markets, it found that a reverse image (facing left) of its crocodile brand had already been registered by two companies, CROCODILE GARMENTS LIMITED (CGL) in Hong Kong, and LI SENG MING (which later changed its name to CROCODILE INTERNATIONAL, "CI") in Singapore.

Coexistence agreements were signed. In Hong Kong (1980) CGL registered the LACOSTE crocodile brand in its own name and became the distributor of LACOSTE products (1980), while in 1983, LACOSTE and CI agreed to have their respective trademarks coexist in Singapore, Malaysia, Indonesia, Brunei and the Taiwan region.

Nevertheless, in 1980, when LACOSTE registered its trademark in China, none of these two companies had even envisaged the possibility of entering the Mainland market. Their interest in the Chinese market came later.

In the mid 90s, CGL attempted to register, in China, the exact reverse image of the LACOSTE crocodile embroidered on the shirts. This dispute was finally settled in 2003 under the auspices of the Beijing High People's Court: CGL recognized the priority and the high reputation of the LACOSTE crocodile trademark and agreed to use a different representation of the crocodile.

CI also attempted to register in China various representations of the crocodile device, which were refused. Thus, CI filed and obtained the registration of a new trademark

using the letters CARTELO, with the crocodile hidden in the middle of the word as a background.

Among the trademark applications filed by CI was the trademark "CARTELO Crocodile in traditional Chinese & Device"

No. 2018250 covering the goods "clothing, etc." in Class 25 (the "disputed trademark"). The mark was later assigned to a company called CARTELO CROCODILE PTE LTD ("CARTELO").

Both LACOSTE and CGL opposed the disputed mark based on the similarity with their own trademarks. The Trademark Office and the TRAB ruled in their favor. However, in 2010, the Beijing First Intermediate People's Court overturned the administrative decisions and approved the registration. In 2018, the Beijing High People's Court confirmed the approval.

Both LACOSTE and CGL filed a retrial application with the Supreme People's Court of China ("SPC").

Some LACOSTE cited marks	The disputed mark
	

Ruling

On October 19, 2020, the SPC issued its final judgment, holding that the disputed mark and LACOSTE's prior cited marks constitute similar trademarks on identical or similar goods, and thus, disapproving the registration of the disputed mark.

The SPC could have limited its decision to stating that the disputed trademark was similar to the cited trademarks, designating

identical goods. However, given the long and complex history between the two companies, the SPC decided to make a full analysis of the entire conflict, even re-examining and re-assessing certain issues that had been adjudicated in a previous civil judgment issued in 2010 by the SPC itself. That judgment of 2010 had been rendered on appeal against a first instance judgment of the Beijing High People's Court (2008), after LACOSTE had sued CI for infringement (in 2000). The first instance and appeal judgments had dismissed the infringement claim of LACOSTE, considering that, even though the trademarks in conflict had similarities, the facts that *(i)* CI was using its trademark together with the CARTELO registered trademark, *(ii)* that both trademarks had coexisted for some time and established their reputations in different sectors of the market, that *(iii)* they had agreed to coexist in other parts of Asia and *(iv)* that CI was not acting in bad faith, were sufficient to rule out the infringement claim. However, the SPC insisted, in its judgment, that given the similarity between the two trademarks, CI was to *"keep using its [trademarks] in a way that is obviously distinguishable from LACOSTE marks, and [shall] try its best to shun LACOSTE trademarks."*

1. Visual similarity

The disputed mark is composed of a single crocodile device and the Chinese characters “卡帝乐鳄鱼” (meaning CARTELO Crocodile). Despite the addition of the Chinese characters, the predominant part of the disputed mark remains the crocodile device. As the Chinese characters “卡帝乐” do not have a specific meaning, the disputed mark may easily be called as “鳄鱼” (Crocodile) by the relevant public. LACOSTE’s cited marks embrace a single crocodile device and may also easily be called “鳄鱼”(Crocodile) by the relevant public. Besides, the predominant part of the disputed mark, namely the crocodile device, shares an open mouth and an upturned tail with LACOSTE’s cited marks. Therefore, the disputed mark is highly similar to LACOSTE’s cited marks.

2. Distinctiveness and reputation of LACOSTE’s crocodile device marks

The crocodile device enjoys high distinctiveness on the clothing products despite that a crocodile is an animal existing in nature. Besides, according to the evidence on record, LACOSTE’s crocodile device trademarks have acquired a certain influence in China before the application date of the disputed mark. Moreover, LACOSTE has been sparing no efforts in maintaining the distinctiveness and reputation of its crocodile device through legal proceedings. In 2016, the cited mark “

” No. 141103 received well-known trademark recognition, reflecting the long-lasting reputation of LACOSTE’s crocodile device trademarks.

3. Intention of CARTELO

During the procedure of retrial, which spanned two years, CARTELO started opening boutiques in the vicinity of LACOSTE's boutiques and on Alibaba, using a large range of visual elements creating obvious references to LACOSTE (a reference to tennis, use of the French flag, identical bags and products, etc.)

The SPC, duly informed, stated in its judgment that these facts proved that CARTELO intended to confuse its crocodile device mark with the LACOSTE crocodile device marks or to create a certain connection with LACOSTE.

4. Settlement agreement

The SPC extended its analysis to the Settlement Agreement signed in 1983 between LACOSTE and LI SENG MIN (predecessor of CI), which, according to CARTELO, should have applied to China. The court noted that the scope of this Agreement had been the object of an arbitration award made by the Singapore International Arbitration Center and that it was clear that the Agreement only applied to the five countries and/or regions listed in the Agreement, expressly excluding China's Mainland. Therefore, the 1983 Settlement Agreement could not be the fact and basis for judging whether the disputed mark, in this case, is similar to the cited marks and whether the disputed mark should be registered. The SPC added that, even if there was a trademark coexistence agreement applicable to China, it would still be necessary to determine whether the disputed mark and the cited marks constitute similar trademarks used on identical or similar goods, as provided by the relevant provisions of *the Trademark Law of the PRC* and its judicial interpretations.

Comments

Apart from the impact that it may have on the continuing conflict between LACOSTE and CARTELO, this final judgment of the SPC sheds light on several key issues in cases related to the assessment of trademark similarity, the perpetual crux in trademark cases.

1. The reputation of the cited marks serves but only serves as an "extra point" in determining the trademark similarity.

The SPC clarified that, even if the prior marks are of little reputation, if the visual similarity is undeniable, the prior trademark rights shall be nevertheless protected. Therefore, the reputation of the prior trademark, acquired before the application date of the disputed trademark, is only an additional element that the court shall take into consideration when assessing whether there is a likelihood of confusion.

2. The intention of a trademark applicant plays an important role in determining the likelihood of confusion.

The evidence submitted by LACOSTE in the new infringement case pending against CARTELO, which was shown to the court in the retrial proceeding was considered by the SPC as proving the bad faith and intention of CARTELO to take advantage of LACOSTE's high reputation. This intention, even if it concerned a different device other than the disputed trademark, was taken into consideration by the court as a general fact when assessing the likelihood of confusion between the LACOSTE cited trademarks and the disputed trademark.

3. The extraterritoriality of trademark rights should be respected.

The SPC also took the opportunity of this case to clarify its views about the territoriality of trademark rights. The court rectified the previous judgment of 2010, where the court had stated that, even though the Agreement of 1983 did not expressly apply to China's Mainland, it could still influence the decision. The SPC, in this new ruling, clarified that the said Agreement, since it did

not apply to China’s Mainland, could not serve as a basis for coexistence in China. The court added that, even if China’s Mainland had been one of the five jurisdictions listed in the Agreement, the SPC would still have adjudicated the case based on whether these marks are similar enough instead of directly acknowledging the effectiveness of the Agreement.