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## n° 44 WHD Case: TM | TOMMY HILFIGER v TOMMY CROWN: ‘transformative use’ of registered trademark found to be infringing

Paul Ranjard, Fan Yongming and Ren Yanfei, 5 April 2023, first published by [WTR](#)

### Background

Tommy Hilfiger, the world-famous fashion brand, owns in China several trademarks in Class 25, namely:

- TOMMY HILFIGER (registered on 30 October 1988);
- a logo (registered on the same date): ;
- a combination of both (registered on 28 April 2014): TOMMY  HILFIGER

Tommy Hilfiger found out that a Chinese fashion company, Tommy Crown, was opening boutiques using a very similar trademark:



Further investigation revealed that the case, which looked like a pure copycat case, might be more complex than anticipated. Indeed, it was found that the Chinese company had purchased two trademarks, representing a simple white-and-grey logo, which had been registered since 2010:



Besides, the company had obtained the registration in 2015 of another trademark:

Tommycrown

It had also applied in 2018 for the registration of the mark below:

TOMMY CROWN

By adding a simple touch of red to its registered logo and by combining this slightly modified logo with the registered trademark TOMMYCROWN, also modified by separating the two names, the Chinese company had created an obvious copycat. Yet, all the elements of this infringing trademark were registered, albeit in a slightly different form.

The complaints filed with the Administration of Industry and Commerce were not

accepted since the enforcement agency was reluctant to take action against registered trademarks. Filing a lawsuit before the court was not an easy solution either.

### **The challenges of filing a lawsuit against a registered trademark**

According to the “Interpretation of the Supreme People’s Court on Issues Concerning Civil Disputes between Registered Trademarks or Enterprise Names and Prior Rights” (1 March 2008), People’s courts may not accept lawsuits filed against a registered trademark. The plaintiff must first obtain the invalidation of the registered trademark by initiating an administrative procedure. There are, however, two exceptions to this rule:

- when the allegedly infringing mark is used on goods other than those designated by the registration; or
- when, by “changing the distinctive features of, or splitting or combining” a trademark, it becomes identical or similar to another registered trademark - such practice is commonly called ‘transformative use’.

The issue in this case was whether adding a little spot of red on the logo and splitting the words ‘Tommy’ and ‘Crown’ would be considered sufficient to overcome the prohibition enacted by the Supreme Court in its interpretation.

### **Civil lawsuit**

On 10 September 2019 Tommy Hilfiger lodged a civil lawsuit against Tommy Crown with the Shenzhen Intermediate Court, adding as co-defendant the landlord of the shopping mall where the shop was located. It was established that the landlord had an active role in the promotion of the infringing goods (eg, warehousing, promoting online and shipping to customers, all these services being rendered against a remuneration based on turnover).

As expected, Tommy Crown argued that its use of the allegedly infringing marks was protected by the registrations for TOMMYCROWN and its logo.

On 29 April 2021 the Shenzhen Intermediate Court recognised that use of the accused mark constituted a ‘transformative use’ of the registered trademarks cited by the defendants and, therefore, infringed Tommy Hilfiger’s registered trademarks. The court also found that, although the landlord had examined Tommy Crown’s trademark registrations and licensing chain, its duty of care was higher than if it had simply collected a rent. It had failed to supervise the business activities in the mall and allowed Tommy Crown’s infringing business for nearly one year. The court thus found that the landlord should be held jointly and severally liable for part of the infringement.

Based on the above, the court issued a permanent injunction and awarded damages of Rmb5.4 million against Tommy Crown (the landlord was jointly and severally liable up to Rmb102,735).

Tommy Crown appealed to the Guangzhou High Court but, on 4 November 2022, the

court upheld the first-instance judgment.


### **Comment**

This case is not isolated. The attention of the Chinese authorities has long been drawn to this extremely malicious practice, which consists of filing a trademark that is remotely similar to a prior registered trademark and, once the mark is registered, transforming it through actual use and revealing its similarity with the prior registered trademark. These cases are always difficult to solve, especially when the infringer, instead of filing a new trademark, purchases an 'old' trademark which has been registered for more than five years and is thus protected against invalidation (as Tommy Crown had done).

Article 49 of the Trademark Law provides that, where a registered trademark is 'unilaterally altered', the Trademark Office shall issue a notice of rectification and, if the registrant does not carry out the rectification within a certain period of time, the office may cancel the trademark. However, the Trademark Law does not address the situation where the 'unilaterally altered' trademark becomes infringing.

It has been suggested to the authorities that the owner of the prior trademark should be allowed to file an invalidation action against the registered trademark at issue. Such action would be based on Article 7 of the Trademark Law, which provides for the principle of good faith when filing and using trademarks. So far, the response has been negative.

In the draft revised Trademark Law that was recently circulated, Article 49 (renumbered 64) adds an administrative sanction to the act of 'unilateral alteration' of a registered trademark (a fine of not more than Rmb100,000). In the comments to this article, it has been argued that there seems to be a confusion between 'alteration' and 'passing off': indeed, either the said alteration does not change the visual significance of the mark (in which case there is no problem), or the modification has a significant impact and, in fact, creates a new, unregistered trademark. As such, using an unregistered trademark is not illegal. It is only if the user pretends that the mark is registered that the sanctions against 'passing off' should apply.

The second paragraph of the new Article 64 deals with 'alterations' that create a situation of infringement (as in the present case), and provides that the case should be handled by the administrative enforcement authority, like any other infringement. This is certainly welcome, but - as mentioned above - the invalidation of the original mark used for the infringement should also be sought. 

## n° 40 WHD Insights: TM | Protection of Product Shape in China: Nonconventional Approaches for Nontraditional Marks

Mingming Yang, 15 February 2023, first published by [INTA](#)

Protecting the shape of a product or its packaging can be a challenging task in China despite the various legal routes open to brand owners. Rights owners have the option of Patent Law or Copyright Law to patent the shape of a product or its packaging as a design or utility model, or, if it qualifies, as a work of art. They can also turn to the Trademark Law or the Anti-Unfair Competition Law (AUCL), to register the shape as a 3D trademark or have it recognized as a commodity decoration or as packaging with certain influence.



This article uses case law to analyze the latter routes.

### Registering a Product Shape as a 3D Trademark

A product shape that a rights owner registers as a 3D trademark in China can enjoy strong and, if in use, perpetual protection. However, a 3D trademark registration, though the most powerful approach to protecting a product shape, has become hard to obtain in China.

The registration of a product shape as a 3D trademark used to be easier a few years ago when a shape with a unique design was still deemed inherently distinctive and registrable, like Ferrero's chocolate shape (2007) and the 3D bottle of Carpathian Springs S.A. (2014). Van Cleef & Arpels' four-leaf clover 3D marks also passed the Trademark Office's examination and were registered in January 2016 without encountering office actions, that is, without the need to provide any evidence of use.

Reg. No.: G783985 Registrant: FERRERO S.P.A.	Reg. No.: 10589962 Registrant: CARPATHIAN SPRINGS S.A.
	

<p>Reg. No.: 15736969 Date of application: Nov 19, 2014 Date of registration: Jan 6, 2016</p>	<p>Reg. No.: 15736970 Date of application: Nov 19, 2014 Date of registration: Jan 6, 2016</p>
	

The evolving examination and judicial practice subsequently turned against 3D trademark registrants by quickly reaching a consensus that product shapes are devoid of inherent distinctiveness regardless of how unique and special their design. The Supreme Court clarifies this in the “Provisions on Several Issues Concerning the Hearing of Administrative Cases Involving the Granting and Affirmation of Trademark Rights” (2017) that:

*Where an application is filed to register the shape or partial shape of a product as a 3d trademark, if under most circumstances, the relevant public is not likely to take such sign as a source identifier of the goods to which it is attached, such sign should be found non-distinctive as a trademark. The fact that a three-dimensional sign has been originally created by or firstly used by the applicant shall not necessarily be admitted as proof of distinctiveness of such sign.*

This has opened the floodgates to third-party invalidation actions challenging the inherent distinctiveness of those 3D marks registered for being intrinsically distinctive. To maintain the registrations of the 3D trademarks and to defend an invalidation action, the registrants need to prove that the shape has acquired secondary meaning through use.

**A 3D trademark registration, though the most powerful approach to protecting a product shape, has become hard to obtain in China.**

The Trademark Office and the judiciary have set a high evidentiary threshold. On top of its nationwide recognition and awareness, brand owners need to substantiate that the shape may function as a standalone trademark, independent of other signs attached to a product or products.

Coca-Cola suffered setbacks (Gao Xing Zhong Zi No. 348 (2011)) when trying to prove to the Beijing High Court that the relevant public could perceive its FANTA bottle shape as a source identifier despite submitting extensive evidence of fame, as the court found that the majority of the evidence depicted the combined use of the 3D sign and the FANTA word mark.



In the Van Cleef & Arpels four-leaf clover case, the Beijing High Court recognized that Van Cleef & Arpels had invested heavily in advertising, but that its evidence was insufficient to prove the acquired distinctiveness of the four-leaf clover shape. The case (Jing Xing Zhong No. 4528 (2020)) ended with the invalidation of Van Cleef & Arpels' 3D trademark registration in December 2020.

### AUCL Remedy

In contrast to the high threshold for acquiring a 3D trademark registration, the remedial approach the AUCL provides seems to be a more realistic option in protecting a product's shape.

In fact, after losing its 3D mark registrations, Van Cleef & Arpels prevailed in a civil case (Jing 0105 Min Chu No. 21177 (2019)), as reported in February 2021, where the Chaoyang District Court of Beijing ruled that prior to the company's large-scale use, no evidence suggested that the jewelry in the four-leaf clover shape had become a common shape in the industry. However, because the shape of Van Cleef & Arpels' jewelry could function as an identifier to distinguish the source of goods, the four-leaf clover shape was eligible to be protected as product decoration under the AUCL.

China's Supreme People's Court elucidated in the M&G Pen case (Min Ti Zi No. 16 (2010)) that the shape of a product per se may be eligible for protection under the AUCL provided that (1) it has obvious features that distinguish it from ordinary designs; and (2) through its use in the market, the relevant public has already come to associate it with the producer or supplier of the product, that is, the shape has acquired a secondary meaning through use.

At first glance, the Trademark Law and the AUCL seem to be consistent about the prerequisite to invoke protection over a product shape. In reality, the situation is far more nuanced.



**At first glance, the Trademark Law and the AUCL seem to be consistent about the prerequisite to invoke protection over a product shape. In reality, the situation is far more nuanced.**

By obtaining a trademark registration in China, the brand owner acquires an absolute right and exclusivity to the mark, allowing the owner to initiate administrative and/or judicial proceedings, to request cessation, and to claim damages. For this reason, where the registrability of a mark hinges on acquired distinctiveness, the authorities shall make the assessment based on the perception of the relevant public in the entire country, while taking into account whether competitors have used the same or similar sign, so as to balance the interests of the market players.

In contrast, the AUCL protects the relative rights of brand owners by regulating competitive behaviors, encouraging fair competition, and promoting the good faith principle. In this context, the bar for assessing acquired distinctiveness is lowered so that the perception of the relevant public is ascertained on a regional rather than a national level.

### Using 2D Trademarks to Protect 3D Product Shapes

On September 8, 2021, in response to a Request for Instructions from the Sichuan Provincial Intellectual Property Office concerning whether the act of selling goods with a shape identical to another's device mark registered on similar goods constitutes trademark infringement (Chuan Zhi Han [2020] No. 16), the China National Intellectual Property Administration (CNIPA) issued a written reply that the shape could be protected based on the No. 768790 device mark owned by Chanel and the No. 15395177 device mark owned by Van Cleef & Arpels SA, both of which had gained high reputation and distinctiveness.

Reg. No.: 768790 owned by Chanel	Reg. No.: 15395177 owned by Van Cleef & Arpels SA
	

In its response, the CNIPA granted de facto protection to the product shapes of Chanel and Van Cleef & Arpels based on the registration of device trademarks. The CNIPA found there to be trademark infringement based on Article 76 of the Implementing Regulations of the Trademark Law, which reads:

*the use of a sign identical with or similar to other's registered trademark as product name or decoration on the same or similar goods, which misleads the public, constitutes infringement upon the exclusive right to use a registered trademark as stipulated in Article 57 (2) of the Trademark Law.*

The finding shows that the CNIPA grants protection according to the device mark rather than the shape per se.

Still, it is quite unusual to use a 2D trademark to protect a 3D product shape.

**[B]rand owners may find it difficult to prove that product shape could be viewed as a standalone source identifier when a word mark and/or device mark is simultaneously used on the product.**

First, it would be easier to protect the product shape of jewelry, toys, perfume, wine, and so forth because the 2D device mark of such goods and the product shape usually share an identical design. Other products are not so fortunate. In the Fluke case (Er Zhong Min Chu Zi No. 13919 (2013)), the Beijing No. 2 Intermediate Court found that the accused shape would be identified as product appearance rather than a trademark; thus, it was found to be neither identical nor similar to the device mark.






Second, the shape at issue needs to be viewed as a kind of “product decoration,” as stipulated in Article 76 of the Implementing Regulations of the Trademark Law. Nevertheless, even if the Supreme Court has affirmed that a shape may be protected as product decoration, lower courts may have different views. In the Chanel v. Ye Mengzong, case (Yue 73 Min Zhong No. 1530 (2018)), the court of appeal held that “decoration” and “shape” are two different concepts and that there is no “essential” correlation between the protection of product shape and product decoration.

Last, a device mark needs to acquire a certain market reputation so that the public can view the shape as a source identifier of the goods. In the Michelin v. Ningbo Jiaqi Crafts case (Yue 73 Min Zhong No. 1013 (2017)), the second instance court concluded that the accused 3D tire man toy figure would not be confused with Michelin’s 2D device mark, while in the retrial (Yue Min Zai No. 44 (2019)), the Guangdong High Court ruled that, because of the high reputation and the awareness that the Michelin’s tire man representation acquired through extensive use and advertising, the relevant public would notice that the accused toy incorporated the distinctive features of the Michelin’s tire man device, thus would create confusion about the source of the goods.

### Alternative Strategy

Acquiring a 3D mark registration is undoubtedly the most powerful approach to protecting a product shape, but in view of how difficult it is to do so, rights holders should explore the possibility of acquiring protection under the AUCL. On the one hand, a competitor’s use of a similar shape, which may be a potential obstacle to a 3D mark registration, should be stopped as soon as possible. On the other hand, it would be easier to ascertain the acquired distinctiveness in an anti-unfair competition proceeding, and a favorable ruling may be conducive to facilitating a 3D mark registration.

Furthermore, brand owners may find it difficult to prove that product shape could be viewed as a standalone source identifier when a word mark and/or device mark is simultaneously used on the product. In addition to conducting a market survey on the public awareness of the shape, a brand owner may underline the unique features of the product shape (and by which consumers will also identify their products).

Finally, brand owners should register a device mark embodying the product shape as a 2D trademark as a backup defense mechanism. 

## n° 41 WHD Insights: PT | Assessing patent stability before enforcement in China

Shuhua (Mark) Zhang, 22 February 2023, first published by [IAM](#)

The Supreme People’s Court’s annual white paper “China’s Intellectual Property Judicial Protection Situation” reveals that the number of patent infringement disputes filed at first instance has been steadily increasing over the last six years, growing from 12,357 in 2016 to 31,618 in 2021. The China National Intellectual Property Administration (CNIPA) also docketed a similar trajectory for complaints filed with local administrative enforcement agencies, with the number more than doubling from 20,859 in 2016 to around 49,800 in 2021. Accordingly, the amount of patent invalidation applications has quintupled from around 1,000 in 2016 to around 5,000 in 2021.

In China, apart from the high-profile cases involving millions of damages, the vast majority patent enforcement cases are initiated by patentees against hundreds or even thousands of petty traders, which may end with the infringer’s quick settlement. The alleged infringer will have strong incentive to seek invalidation of the litigated patent if it faces high damages claims, loss of business opportunities due to a possible injunction (in China’s judicial practice, injunctions are almost automatically granted if the court finds patent infringement) or dented reputation. In the latter case, the chances of waging an invalidation battle is extremely high. One can always find evidence and grounds to file rounds of invalidation applications against the same patent, so far as there is no issue of non bis in idem.

In China, there are three kinds of patents: invention patents, utility models and design patents. In practice, invention patents, which have gone through substantial examination, usually stand a better chance of withstanding invalidation attacks. Design patents, which only go through a formality examination, are incredibly vulnerable. Utility models witness the highest invalidation rate, and are starting to be subject to some form of substantial examination due to the CNIPA’s initiative to discourage “abnormal patent applications”.

Various sources have released empirical data that arrives at a unanimous conclusion: the chances of success in invalidation (and partial invalidation) attempts are fairly high in China. The table below analyses the outcome of CNIPA’s patent invalidation decisions from 2008 to 2018 (with data gathered by Unitalen):

Type of patent	Invalidation in entirety	Partial invalidation	Validity sustained (including after amendment of the claims)
Invention	36.28%	16.87%	46.85%
Design	57.24%	0.95%	41.8%
Utility model	50.97%	14.27%	34.76%

Other publicly available data also attests that the CNIPA’s overall invalidation rate has been hovering somewhere around 48% in recent years.

An alleged infringer’s strategy would be to have the relevant claim invalidated or

force the patentee to clarify the claim's protection scope, while such clarification may constitute estoppel in the parallel patent infringement dispute. In other words, an invalidation action would ultimately be deemed successful so far as the remaining valid claim(s) of the patent no longer covers the alleged infringing product.

Moreover, the alleged infringer may file rounds of invalidation applications against a certain patent, citing different evidence or grounds each time. A new invalidation application may be tailored based on the findings of the previous decision. The vexatious invalidation 'harassment' could drag on for years and pose a real challenge to the patentee and thwart the patent enforcement action.

If the relevant claim of the patent at issue is declared invalid or survives the invalidation challenge but no longer covers the alleged infringing product, the patentee will have to withdraw the complaint from the court or local IP office, otherwise the complaint will be dismissed.

Against this backdrop, patentees are strongly recommended to assess a patent's stability in advance if they intend to enforce it in China, since this will most probably trigger an invalidation action against it. As for design patents and utility models, it is now standard procedure for patentees to provide an official evaluation report or at least a search report to prove a patent's stability. Invention patents will fare better since they have undergone substantial examination. Still, it would be advisable to review the patent at issue to check most frequently cited grounds of invalidation, in particular:

- novelty (Article 22(2) of the Patent Law);
- inventiveness (Article 22(3));
- insufficient disclosure of specifications (Article 26(3));
- clarity of claim, and/or whether the claim can be supported by the specifications (Article 26(4)); and
- whether the claim lacks necessary technical features (Article 20(2) of the Implementing Regulations).

In cases where a Chinese patent has claimed priority, it is necessary to review the patent family's filing history in other countries or regions. Examination practice varies among different jurisdictions and foreign examiners may conduct a broader search of prior art in a substantial examination. For that reason, it is possible that the Chinese patent is granted but the corresponding patent in another country or region gets rejected, or the protection scope is significantly limited due to that country or region's examiner discovering prior art. There have been cases where the alleged infringer cited the prior arts, identified by a Japanese examiner, to successfully challenge the Chinese patent's validity.

If the case has high stakes for both parties, it is necessary to conduct an additional prior art search to assess the stability of the invention patent at issue – even if such a search has already been conducted prior to or during the patent application process. The CNIPA, experienced patent attorneys and professional prior art search institutes can provide this service. A thorough search may identify prior art that could pose a serious threat to the validity of the patent. It could even help identify the exact kind of prior art the alleged infringer might use when challenging the patent's validity,

especially when both parties entrust the same agency or institute to conduct the 'nullity search'.

It is paramount that the patentee creates a holistic review of its patent portfolio in China, selects the patent(s) that both covers the alleged infringing product and has strong stability to withstand invalidation attacks and formulates a tailored strategy based on the strength of the patent. For example:

- if the patent is strong, infringement is obvious and the stakes are high, patentees may take aggressive action after collecting sufficient evidence;
- if the patent validity is rather dubious and both parties have room for argument in a patent infringement, but the stakes are high, patentees may still file a civil lawsuit or take moderate measures, such as filing a complaint with a competent administrative agency and reach a quick settlement with the alleged infringer by making some compromises;
- if a patentee believes the outcome of a legal action is uncertain, it may opt to send a cease-and-desist letter or an invitation for out-of-court negotiation and see how the alleged infringer responds; or
- if the patent is rather weak, patentees may refrain from taking any legal action at all. 