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n° 55 WHD Case: TM | Lacoste v Cartelo: a landmark case clarifying the rules on confusion and co-existence

Wei He & Paul Ranjard, 17 May 2024, first published by [WTR](#)

The dispute between Lacoste and Cartelo, which has spanned over two decades and involved multiple court cases, has come to a new stage. Lacoste, a globally recognised brand known for its iconic right-facing crocodile logo, found itself embroiled in legal battles with Cartelo, a company that adopted a similar, left-facing crocodile symbol for its products.



Lacoste logo (figure 1)



Cartelo logo (figure 2)

Background

The Lacoste logo has been registered in China since 1980, while the Cartelo logo was refused and was registered only in the form of a crocodile silhouette against a backdrop with the capital letters CARTELO:



Figure 3

Lacoste sued Cartelo in 2000. The core of the dispute centred around Cartelo's use of a single, left-facing crocodile logo (figure 2) and its obvious similarity with the Lacoste device (figure 1).

The case reached the Supreme People's Court in 2008. Despite the visual similarities between the signs, the court ruled that there was no infringement on Cartelo's part, implying that the two logos could *de facto* co-exist on the market.

This decision was influenced by several key factors:

- Distinct market segmentation - the court noted that the two brands targeted different consumer demographics in China, which minimised the risk of confusion;
- Co-existence on international markets - evidence was presented to show that the brands had co-existence agreements outside Mainland China; and
- Usage context - Cartelo typically used its crocodile mark in conjunction with its tri-colour logo (figure 3), which helped distinguish its products from those of Lacoste.

Despite this, the court imposed a condition on Cartelo to make every effort to avoid

any potential confusion in the marketplace.

Change in Cartelo's branding strategy

However, the dynamics of the dispute have shifted significantly in recent years.

In 2017 Cartelo was acquired by a Chinese company, Nanji E-Commerce, and developed an aggressive branding strategy. The company applied again (following an unsuccessful attempt in 2006) for the registration of the left-facing crocodile device (figure 2) and obtained registrations for bags (Class 18) and apparel (Class 25). By 2018, Lacoste observed that Cartelo had abandoned the tri-colour logo and was prominently featuring the left-facing crocodile mark alone on clothing and bags.

This change was also accompanied by the adoption of several marketing and design elements closely associated with Lacoste:

- Sports themes - Cartelo used a tennis theme, a sport deeply associated with the Lacoste brand;
- National colours - products and promotional materials began to feature the French national colours, mirroring Lacoste's branding;
- Advertising: phrases uniquely associated with Lacoste were adopted by Cartelo; and
- Store placement - Cartelo placed its stores directly opposite Lacoste's, which indicated a strategic shift towards direct competition.

These actions led to significant market confusion, prompting Lacoste to file a lawsuit claiming that Cartelo infringed its well-known trademark by mimicking its branding strategy.

Court decision

The case was brought before the Beijing Intellectual Property Court, which delivered a comprehensive ruling in favour of Lacoste. The court's decision was multifaceted:

- Recognition of Lacoste's trademark as well known - the court recognised that Lacoste's crocodile trademark was well known prior to the date on which Cartelo applied - for the first time in 2006 - for its crocodile trademark.
- Trademark similarity - the court found that the similarity of the marks was likely to confuse consumers, particularly since Cartelo had begun using the crocodile device in isolation, thus increasing its prominence.
- Market confusion - the court agreed that Cartelo's new marketing strategies had destroyed the distinct market perceptions that previously enabled the marks' co-existence, thus leading to confusion and association with Lacoste.
- Co-existence agreements - the court considered that the co-existence agreements in place for foreign markets did not apply to China.

Therefore, the court ruled that Cartelo's actions constituted trademark infringement and awarded Lacoste Rmb15.05 million in damages for economic losses and legal expenses.

The case was then appealed to the Beijing High Court, which fully maintained the first-instance judgment.

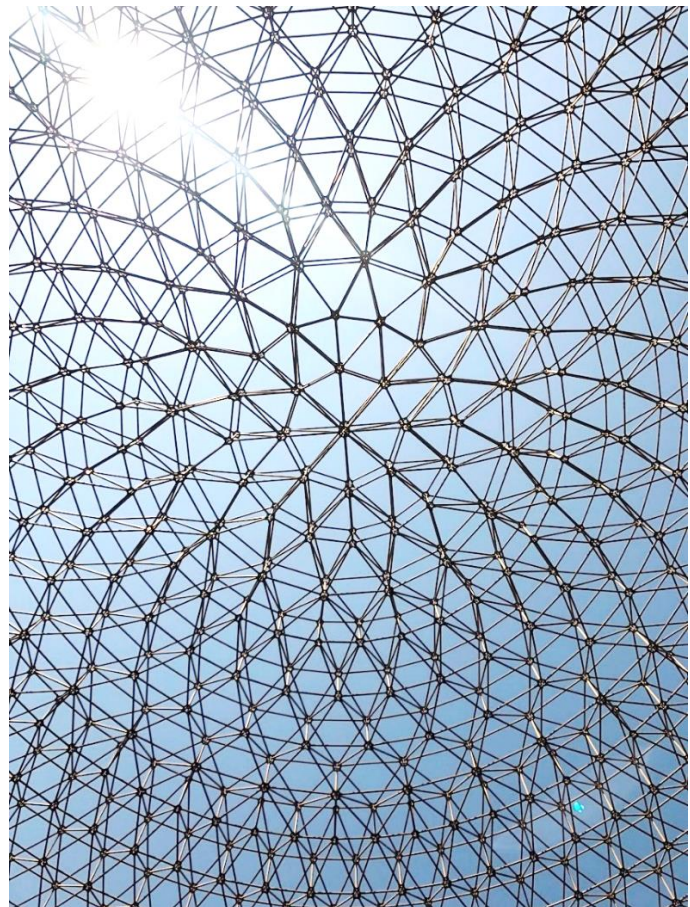
In the meantime, Lacoste had requested the invalidation of Cartelo's left-facing crocodile device. Lacoste eventually succeeded in September 2023.

Comment

The case concerns the application of Article 57.2 of the Trademark Law, which provides that using a similar trademark (on the same or similar goods) constitutes an act of infringement, but only *if it is likely to cause confusion*.

The case illustrates the (rare) situation where the use of a sign, although considered *in abstracto* as similar to a prior registered trademark, may nevertheless be deemed as not infringing because, due to a series of factual conditions, such use is unlikely to cause confusion.

The court's ruling clarifies that such conditions are not static. If the factual conditions change and if, as a result of such change, the likelihood of confusion becomes a reality, the conditions for co-existence may be destroyed and infringement may be declared, with all the consequences of the law. **W**



n° 60 WHD Insights: PT | CNIPA clarifies examination rule over an inventiveness assessment step

Wu Xiaoping, 8 April 2024, first published by [MIP](#)

In China, the ‘three-step method’ is widely employed to assess the inventive step of claims. This method entails:

- Identifying the closest prior art;
- Identifying the distinguishing features and the technical problem actually solved by the invention; and
- Ascertaining whether the invention, as claimed, is obvious to a person skilled in the art.

Since non-obviousness of the invention is benchmarked against the closest prior art and the technical problem actually solved by the invention, should the technical problem be defined in an overly broad or narrow fashion – in particular, if it incorporates the distinguishing features of the invention or the guidance thereof – the assessment risks being subject to ‘hindsight bias’ and thus leads to a presumption of obviousness.

In practice, it is not rare for the examiners of the China National Intellectual Property Administration (CNIPA) to jump to an unpatentability conclusion based on an erroneous identification of the technical problem actually solved by the invention, as shown in the case study below.

Case brief

The patent at issue seeks to protect the use of a prodrug of aspirin in manufacturing a medicament, wherein the medicament can be administered transdermally at any part of the body in the form of a solution, an emulsion, or a spray, to achieve therapeutically effective plasma concentration for the treatment of aspirin-treatable conditions in humans or animals. The specification details in vitro and in vivo transdermal experiments and animal pharmacological experiments, demonstrating that the transdermal rate of the prodrug is hundreds of times faster than that of aspirin, and when administered transdermally, its antipyretic, analgesic, and anti-inflammatory effects are superior to oral aspirin.

The closest prior art, as introduced by Evidence 2 in an invalidity proceeding, discloses a specific prodrug of aspirin, acetylsalicylate N-diethylaminoethyl hydrochloride (AEAE), and tests its absorption via different administration routes.

In the test of transdermal administration, plasma concentrations were measured over time, when 5-gram AEAE ointment was applied to the abdomen of a rabbit. The result indicates that the AEAE ointment penetrates the skin barrier more easily than the diethylamine salicylate ointment, a known ointment for topical use.

The absorption for digestive administration was also tested in Evidence 2, with the corresponding plasma concentrations far higher than those of transdermal administration, and thus all subsequent pharmacological tests were conducted via digestive administration. Results from digestive administration showed that AEAE has a significant antipyretic effect, an almost identical analgesic property, but a very weak anti-inflammatory effect compared with aspirin.

In the invalidation decision, the CNIPA observed that the distinguishing features of claim 1 as compared to Evidence 2 are that claim 1 specifies the dosage form as a solution, a spray, or an emulsion, and that the medicament is used for the treatment of aspirin-treatable conditions in humans or animals, whereas Evidence 2 discloses a form of ointment yet fails to disclose the efficacy of such ointment.

The decision further concluded that the patent at issue fails to prove the advantages of “solution, spray, or emulsion form” that are specified in claim 1 over ointment form, and thus the technical problem actually solved by claim 1 is a mere alteration over the form of the medicament and the verification of its efficacy.

The CNIPA thus concluded that the patent at issue is devoid of inventiveness and shall be invalidated.

Analysis of the decision

The finding is obviously erroneous, as the invalidation decision failed to take into account the technical effects brought about by the distinguishing features, and the identified technical problem actually solved by the invention included implications for the distinguishing features. The invalidation decision found that it would be easy for a person skilled in the art to try other common dosage forms, such as a solution or an emulsion, so as to solve the problem of altering the form of the medicament and verifying the efficacy thereof. Therefore, based on the aforesaid finding, it would be easy to conclude that the technical solution of claim 1 was obvious.

In contrast, an objective reassessment of the technical effects achieved by the patent at issue relative to Evidence 2 would define the technical problem actually solved by claim 1 as, for instance, "providing a new medicament effectively treating aspirin-treatable conditions in humans or animals". In this sense, neither Evidence 2 nor any other evidence in the case provides technical teaching as to how to improve the efficacy of the ointment cited in Evidence 2, so it would be impossible to obtain the technical solution of the patent at issue.

In fact, in the absence of prior art reporting that aspirin-like medication could be administered transdermally to achieve the efficacy of oral administration, together with the fact that all the marketed medications for transdermal administration are administered via patches rather than through a solution or an emulsion, the conclusion on the obviousness of the technical solution of claim 1 over prior art has no legal or factual merits.

Revision of the patent examination guidelines

The hindsight bias deriving from the erroneous identification of the technical problem actually solved by the invention could be ascribed to the lack of explicit

provisions regulating the examination practice in this regard.

In the newly revised Guidelines for Patent Examination (2023), the CNIPA cautions that "the redefined technical problem should match the technical effect that the distinguishing features could achieve in the invention. It should neither be identified as the distinguishing features per se, nor should it include guidance or implications on the distinguishing features."

In other words, the technical problem actually solved by the invention should be determined based on the technical effect that the distinguishing features could achieve in the invention, but the defined technical problem should not include the technical means proposed by the invention to solve that technical problem, nor should it include guidance on, or the implications of, such technical means.

The revised guidelines provide an example as follows: "The invention seeks to protect a consumer-grade electronic device that includes a biometric authentication unit for the purpose of user account authorisation. The authentication process of the said unit is based on a combination of a fingerprint and at least one of a palm print, an iris, a retina, or a facial feature. The specification records that authentication based on at least two features could make the user's account more secure. The closest prior art discloses a consumer-grade electronic device that performs identity authentication based solely on a fingerprint. The difference between them lies in the invention's authentication based on at least two biological features. According to the technical effect that the distinguishing features could achieve in the claimed invention, the technical problem actually solved by the invention can be identified as how to improve the security of a user account in consumer-grade electronic devices. The technical problem actually solved by the invention should not be identified as 'how to add at least one biometric authentication feature such as a palm print' or 'how to improve the security of consumer-grade electronic devices by adding an authentication feature' [emphasis added]."

Comments on the CNIPA's revised guidelines

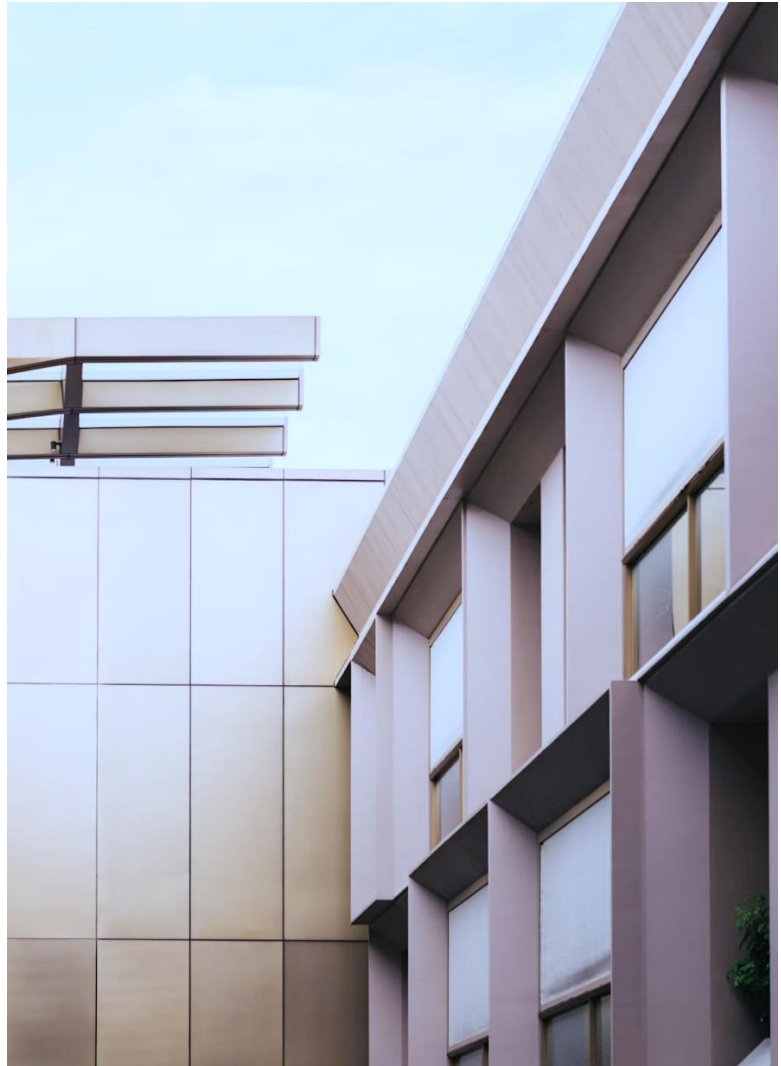
Although the new guidelines entered into force on January 20 2024, the aforesaid revisions are nothing new but the formalisation of the CNIPA's unwritten examination practice.

As early as 2017, several senior examiners from the then Patent Reexamination Board (the predecessor of the CNIPA's Patent Reexamination and Invalidation Department) explained in an essay that the re-identification of the technical problem actually solved by an invention should avoid hindsight bias. They cautioned that "the technical problem actually solved by the invention should neither include the technical ideas and means proposed by the invention to solve the problem, nor should it incorporate guidance on the introduction of such technical means, so as to avoid hindsight bias in the assessment of technical teaching".

The view is shared by the EPO in its Guidelines for Examination: "It is noted that the objective technical problem must be so formulated as not to contain pointers to the technical solution, since including part of a technical solution offered by an invention in the statement of the problem must, when the state of the art is assessed in terms

of that problem, necessarily result in an ex post facto view being taken of inventive activity (see T 229/85).”

It is very welcome that the unwritten examination practice on determining the technical problem actually solved by an invention, which is pivotal to the patentability assessment, is incorporated in the CNIPA’s Guidelines for Patent Examination. It is expected to increase the predictability over the outcome of patentability assessment before the CNIPA. **W**



n° 61 WHD Insights: IP | Navigating China's social media landscape: issues and best practices for brand protection

Jason Yao, 18 April 2024, first published by [WTR](#)

China's booming social media landscape presents vast opportunities for brand owners to connect with a massive consumer base. Social media platforms have become a major channel for advertisement and direct communication. However, there are also challenges such as trademark infringement, counterfeit goods, copyright violations, false advertising and unfair competition. To protect their IP rights and business interests and ensure compliance with Chinese laws, brand owners must be well versed in the legislation that governs social media platforms and be familiar with different enforcement strategies for different platforms. In this article, we will explore popular social media platforms in China, the laws that regulate e-commerce, advertising, and intellectual property protection, and offer advice for brand owners to better protect their interests on social media platforms.

Popular social media platforms in China

WeChat

WeChat is an all-in-one platform that combines features such as messaging, voice and video calls, Moments (a timeline for sharing updates), social networking, e-commerce, e-payment and mini-programs. With over 1 billion monthly active users, it offers a wide range of marketing opportunities and has become an essential platform for communication, social networking, content sharing, and business transaction in China. Almost all brand owners doing business in China, big or small, have opened an official account as a channel to make public announcements, launch new products, advertise and carry out promotional activities. However, due to its open platform nature, the unauthorised use of brand logos, trademarks and copyrighted content is a common issue. Many sellers use the platform to market and sell infringing products.

Douyin

Douyin, known as TikTok outside of China, is a short-video platform with millions of users. It has become a powerful marketing tool that allows brands to reach consumers through creative and engaging content. However, brand infringement issues can arise (eg, unauthorised use of brand names or logos in videos). The sale of infringing and unauthorised products on Douyin livestreams is a growing problem.

Kuaishou

Kuaishou is another popular short-video platform, known for its focus on live streaming and user-generated content. Like Douyin, Kuaishou poses risks of trademark and copyright infringement when users misuse brand assets.

Xiaohongshu (Little Red Book)

Xiaohongshu is popular among young consumers. It combines social media features with product reviews, shopping experiences and recommendations, enabling users to discover and share experiences, tips and product recommendations across various categories (eg, beauty, fashion, lifestyle, sports and travel). Unavoidably, a lot of content may be misleading, falsified or IP infringing.

Sina Weibo

Sino Weibo, often called the “Chinese Twitter”, is a microblogging platform for real-time news updates, discussions, celebrity interactions and user-generated content. The platform has over 500 million registered users. Users can post short messages, share photos and videos, follow other users and interact through comments and likes. Many brand owners have an official account for public announcements, new product launches, advertising and customer interactions. It is not uncommon to find infringing content and counterfeit products being offered on the platform.

Bilibili

Bilibili is a video-sharing platform popular among China’s younger generation. It focuses on user-generated content, including animation, gaming and entertainment. Although the platform has implemented strict copyright policies, infringement can still occur, primarily related to unauthorised use of copyrighted material.

These are only a few examples of popular social media platforms in China. It is worth noting that the Chinese social media landscape is vast and constantly evolving, with new platforms emerging and existing ones adapting to changing trends. There are many other social media platforms that are very popular among certain groups of people.

Common IP infringement issues

Due to the ease of sharing and distributing content and its instant reach to a vast public, IP infringement on social media platforms is a significant concern.

Copyright infringement

- Unauthorised sharing of protected content: users often share copyrighted material (eg, music, videos and images) without permission from the copyright holder. Memes, GIFs and remixes can contain copyrighted material that is shared without proper licensing.
- Reposting and forwarding: reposting and forwarding content created by others may infringe copyright if there is no consent or proper attribution.
- User-generated content: users creating content that incorporates copyrighted material (eg, background music in videos) may inadvertently infringe copyright.

Trademark infringement

- Promoting and selling trademark-infringing products: users may offer

- counterfeit products or trademark-infringing products from the grey market.
- Fake profiles and impersonation: accounts that impersonate brands or individuals can infringe on trademark rights and mislead users.
 - Unauthorised use of logos and brand names: using trademarks in posts, or profile pictures, or to sell counterfeit goods can infringe on trademark rights.
 - Hashtag infringement: using brand names or trademarks in hashtags to promote unrelated content can cause confusion or dilute the brand.

Patent infringement

While less common on social media, showcasing or selling products that infringe on patented inventions or designs are often seen on social media accounts, especially those involving certain interest groups.

Trade secret misappropriation

- Disclosure of confidential information: employees or insiders may inadvertently or purposely share trade secrets on social media.
- Industrial espionage: competitors may use social media to gather trade secrets or confidential information.

Laws governing advertising and e-commerce on social media platforms

While the relevant general laws (including the Trademark Law, Copyright Law, Patent Law, Anti-unfair Competition Law, Advertising Law and Consumer Rights Protection Law) are applicable to social media platforms, several special laws specifically govern activities on these platforms:

- E-commerce Law: the E-commerce Law regulates online transactions, including those conducted through social media platforms. It imposes obligations on e-commerce operators to protect consumer rights, ensure product quality and safety and prevent deceptive practices. Brand owners engaging in e-commerce activities on social media platforms must comply with these provisions, ensuring transparency and consumer protection.
- Provisions on the governance of the online information content ecosystem: these provisions categorise online content into “encouraged”, “negative”, and “illegal” content. Social media platforms are responsible for content management and implementing measures to prevent the creation, reproduction or distribution of negative or illegal content.
- Administrative measures for internet post comment services: these measures stipulate that service providers for internet forums, blogs and comment sections must monitor and manage user-posted content, require real-name registration and report illegal information to the authorities.
- Administrative provisions on internet group information services: this specifies regulations for social media platforms that offer group information services (eg, chat groups and forums). It includes requirements for real-name registration, content monitoring and reporting mechanisms.
- Several provisions on regulating the market order of internet advertising: these provisions regulate online advertising activities, requiring clear labelling of advertisements and prohibiting false or misleading online ads.

Social media platforms operating in China must comply with these laws and regulations, which typically involve significant self-censorship and cooperation with government surveillance and control measures. They also provide leverage and tools for brand owners to file complaints with social media platforms and remove infringing contents. Being familiar with these laws and regulations is not only important for brand owners to use social media platforms proactively, but also beneficial for protecting their rights and interests effectively.

Strategic advice for brand owners

It is crucial to aggressively enforce IP rights and commercial interests on social media platforms in China. Given the challenges of the complex online ecosystem and law enforcement mechanism in China, developing a comprehensive strategy is critical.

Proactive monitoring

Brand owners should implement robust monitoring programmes to detect potential instances that are detrimental to the brands on social media platforms. Regularly searching for unauthorised use of brand assets and actively engaging with the platform's reporting mechanisms can help identify and address infringing activities quickly and effectively.

Collaboration with platforms

Establishing cooperative relationships with social media platforms can enhance brand owners' ability to protect their IP rights and interests. Platforms are obligated to take down infringing content and implement preventive measures according to the relevant laws and regulations. Most platforms, if not all, have implemented programmes and mechanisms to receive complaints from rights holders and take down infringing content when legitimate complaints are filed. Some platforms have also been proactively going after repeated and serious offenders.

Legal action

Aggressive legal actions should be pursued in cases of severe infringement. It may start with a cease-and-desist letter, and follow with a complaint to an administrative enforcement agency, a civil lawsuit before a competent court, or a criminal complaint with the police, depending on the severity. Working with experienced local attorneys specialising in the relevant areas is crucial to navigate the legal system effectively.

Proactive approach

Brand owners can take a proactive approach to leverage the influence of social media by using social media platforms actively. Many brand owners have created their official accounts on popular platforms to promote brand awareness and engage with consumers and the public. It has become an increasingly important way to interact with consumers, provide customer service, educate consumers on authenticity and build trust and brand loyalty. It is also becoming a crucial channel to sell products directly to consumers through live streaming on social media platforms.

As brand owners explore the vast opportunities presented by China's social media landscape, it is important to understand the legislation that govern activities on these platforms. By familiarising themselves with the laws, actively monitoring for infringements and taking proactive measures to protect their IP rights and commercial interests, brand owners can mitigate the risks associated with brand infringement and counterfeit goods. Collaboration with social media platforms, aggressive legal action when necessary and proactive use of social media can further strengthen brand protection and build more powerful brand influence in China's dynamic digital environment. **W**



