

Golden age for foreign trade name protection

Xiaopeng Zhao argues that recent court decisions in China provide a boost for overseas companies whose names have been registered by counterfeiters

A foreign company entering the Chinese market does not have to become desperate about the discovery of a Chinese counterfeiters already having registered its trade mark anymore. Due to the lack of protection options for prior use right of a trade mark in China, the only choice for such companies is usually to defend themselves using their prior trade name right. Whether the prior trade mark is challenged through a trade mark opposition, invalidation process or an anti-unfair competition lawsuit, the following aspects will be considered by the Chinese courts and authorities:

1. significance of a trade name: a trade name should be unique in its composition so that it is clear that an average Chinese person cannot make it up easily;
2. the trade name has to have already gained certain fame through prior use in China;
3. the opposed trade mark has to be identical or similar to the trade name of the opponent so that it can easily cause confusion among the relevant consumer group;
4. the prior trade mark was registered in bad faith.

Proving malicious intention is the key point of the aforementioned proceedings or lawsuits. As a prerequisite to prove the malicious intention, the foreign trade name should be famous enough. To determine the level of popularity, it is common practice in China to provide evidence that the trade name has gained certain fame through commercial activities in China. This has always been a stumbling block for foreign companies,

because by the time the trade mark was registered by the counterfeiters, the foreign company has not officially entered the Chinese market yet. Foreign companies normally do not have enough domestic evidence to prove their popularity in China.

However, new decisions from Chinese courts and the China Trade Mark Office (CTMO) bring new hope for foreign companies.

Requirements for proving certain fame in cases of malicious prior registrations have been lowered

This conclusion can be drawn from the *Lexani* case, judged by Beijing First Intermediate People's Court and confirmed by Beijing Municipal Higher People's Court on December 8 2014.

Lexani Wheel Corporation is one of the leading brands in the field of custom wheel hubs and wheels. The company has been using Lexani as its trade name since 1996 and started commercial activity in China by authorising third parties to produce Lexani-branded wheel hubs since 2005. In 2007, the mark Lexani was registered by a Chinese individual called Wang Ying in class 12, the class relevant for Lexani's products. After unsuccessful trade mark opposition and invalidation proceedings, Lexani Wheel Corporation filed an administrative lawsuit against the Trademark Review and Adjudication Board (TRAB) to the Civil Court in Beijing.

To prove the prior use and certain fame of its trade name in China, Lexani Wheel Corporation has only provided several

bills of lading proving their business relations with some Chinese companies and several media reports published by only two internet media sources. However, in contrast to the view of CTMO and TRAB, the two Beijing Civil Courts have considered this evidence sufficient to prove the popularity of Lexani Wheel Corporation in China.

The main argument of the Court lies in the bad faith registration of the opposed trade mark by Wang Ying. According to the Court, the word Lexani is a unique word, and it would be difficult for the opposed party to create an exactly identical name by coincidence. The malicious intention of Wang Ying is therefore obvious. Under these circumstances the Chinese courts have lowered their requirements for proving certain fame through prior use.

A prior trade name right can prevent a malicious trade mark registration in classes related to a company's core business

This conclusion can be drawn from the decision of the Lafarge case by CTMO on April 13 2015. Lafarge SA is the world leader in building materials production. Established in 1833, it has a business network around the world including China. Lafarge has registered the trade marks Lafarge, Lafarge (in Chinese characters) and Lafarge and device in several classes related to its main products including cement, concrete, aggregate, gypsum building materials, roofing systems and related building products.

In 2012, a Chinese individual called Wang filed an application to register the trade marks Lafarge (in Chinese characters) and Lafarge for the following goods in class 3: "emery paper; furnishing preparations; sandpaper; abrasives; rubbing emery; sharpening preparations; nail varnish; air fragrance preparations; polish for furniture and flooring; sand cloth (abrasive cloth)."

The opposition request by Lafarge SA against the alleged malicious registration by Wang was accepted by CTMO. CTMO has also taken into account the significance of the opponent's prior trade name. Similar to the Lexani case, it could not be a coincidence that Wang has created a letter combination Lafarge without knowing the opponent's trade name in the first place. The malicious intention was regarded as obvious.

In this case, CTMO also considered the great possibility of causing confusion among the relevant customers group, since the classes registered by Wang are closely associated to the business area of Lafarge SA.

In cases of malicious pre-emptive registration, overseas evidence could be used to prove certain fame of a trade name

This conclusion is drawn from the Nuxe case judged by the Beijing First Intermediate People's Court and confirmed by Bei-

jing Municipal Higher People's Court. Laboratoire Nuxe is a cosmetics enterprise established in 1989. Before the registration of a similar trade mark by the Chinese individual Zheng Cangyu, the enterprise gained good reputation in its industry all across the world, yet not specifically in China.

To prove the prior use and the popularity of its trade name before the application date of the disputed trade mark, Laboratoire Nuxe mainly provided advertisement evidence, from outside China.

However, the Court accepted this evidence with the argument that concerning cosmetic products, Chinese consumers usually can have access to relevant advertisements posted on foreign websites, foreign fashion magazines and other sources in mainland China. It is also common that Chinese consumers go abroad to purchase cosmetics and bring them back to China.

Concerning the malicious intention, the court considered Nuxe as a meaningless combination of letters and Zheng Cangyu has applied for an identical trade mark Nuxe in combination with a tree design which was highly similar to the trademark Nuxe Paris and tree of Laboratoire Nuxe. According to the Court, the application was clearly carried out under malicious intention.

In conclusion, both the CTMO and the Chinese civil courts have lowered their requirements for proving certain fame in case of pre-emptive trade mark registration in bad faith. This conforms to the general policy of the Chinese government to improve the IP protection level in China as well as to offer equal protection to Chinese and foreign brands.

For those foreign companies that have missed the chance for an early registration of their trade marks in China, it is a good opportunity now to gain back their trade mark use right through an anti-unfair competition lawsuit asserting their prior trade name right.



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