





# 2012

## Global case law review

**WTR presents its annual review of some of the most notable rulings of the previous calendar year, together with legislative updates from national trademark regimes and how these have impacted on decisions**

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# Michael Jordan, Apple and soft drinks – the trademark year in China

**Trademark cases continued to make headlines in China during 2012. Malicious registrations of celebrity names, a multimillion-dollar settlement by Apple and the soft drinks case that sparked a national debate show that trademarks are still big business**

Trademark cases were seldom far from the front pages last year in China. This article takes a closer look at three of the biggest, which together provide a snapshot of the current trademark landscape.

## **Fight for your name – unauthorised registration of celebrity names**

In China, it is not unusual for unauthorised parties to register the names of national and international celebrities as trademarks in an attempt to free ride on the fame of those stars. However, last year celebrities began to fight back, taking legal action to safeguard and reclaim their names.

The most highly publicised case was filed in February 2012 by Michael Jordan against Qiaodan Sports Company Limited for unauthorised use of his name and identity as trademarks and trade names. Jordan, a basketball legend with six National Basketball Association (NBA) championships and five league most valued player awards, is still one of the most recognised sports figures in China. His name in Chinese is ‘乔丹’ (‘Qiaodan’ in Pinyin transcription), and he has been credited by many as being instrumental in popularising the sport of basketball in China. Qiaodan Sports is a home-grown Chinese sportswear and shoe manufacturer with no relation to Jordan, which has successfully used QIAODAN and related marks for over 15 years. The main legal issues are whether Qiaodan Sports built its business off Jordan’s Chinese name without permission and caused confusion to consumers, and whether it has exclusive and legitimate rights to the QIAODAN mark in China. The Shanghai No 2 Intermediate People’s Court has docketed the lawsuit, but the litigation is ongoing and no judgment has yet been reached. Meanwhile, the validity of the QIAODAN mark continues to be debated, inflaming the general public’s curiosity towards the concept of trademarks and trademark laws.

In a similar case, albeit with less fanfare, Yao Ming – a Chinese

basketball player and a former NBA all-star – sued Wuhan Yunsha Sharks Sporting Goods Ltd for unauthorised use of his name and image in the manufacture, marketing and sale of its products. Yunsha Sharks also registered trademarks bearing a close resemblance to Yao Ming’s name in Chinese. In a well-reasoned decision, the Wuhan Intermediate People’s Court ruled in favour of Yao Ming, partly on the grounds of unfair competition. In September 2012 the Hubei High People’s Court affirmed this, as well as damages of Rmb1 million awarded to Yao Ming.

This trend is not limited to basketball stars – other famous sports personalities have run into similar problems. For example, Lin Dan – a two-time Olympic badminton champion – found his name registered as a trademark and used in feed products, while Ye Shiwen – the youngest Olympic swim champion in China – found her name registered as a trademark and used for swimwear, both without her authorisation.

## **Laws and judicial practice try to curb malicious registration**

These disputes highlight the so-called ‘free-rider’ phenomenon, which is mainly reflected in malicious registrations. The high commercial value of celebrities’ names tempts some Chinese companies or individuals to carry out malicious registrations. Further, the registration practice and procedures established by Chinese trademark law often make such free riding extremely easy. However, the relevant trademark administrative agencies and judicial establishments are beginning to wake up to the problem and take a more active role in curbing malicious registrations.

In September 2011 the State Council’s Legal Affairs Office posted draft amendments to the Trademark Law, which added new provisions to curb malicious registrations. Although the draft amendments do not directly prohibit the registration of celebrities’ names as trademarks for relevant products, they do forbid misappropriation of prior-use trademarks and non-registered trademarks.

The judicial establishment is also doing its part. The Beijing No 1 Intermediate People’s Court was the first court to hold a trademark invalid for being registered in bad faith and through “illicit means”, in violation of the principle of “honesty and good faith” (*Futaba Corporation v TRAB*, Beijing No 1 Intermediate People’s Ct, 2011).

The Futaba Corporation owns the famous animation character

Crayon Shin-chan. It petitioned the Trademark Review and Adjudication Board to cancel a number of trademarks bearing the images and name of the Crayon Shin-chan character, which had been registered by another Chinese company. The board refused Futaba's petition and the case moved to the Beijing No 1 Intermediate People's Court. The court found that the owners of the contested trademarks had registered numerous marks similar to the character Crayon Shin-chan and other famous brands.

Based on this, the court reasoned that such a pattern of registrations showed that the Chinese company had acted in bad faith, as it knew or should have known that it was copying a popular animated character. The court did not require Futaba to prove that its trademarks were well known under the law. Instead it concluded that such malicious registrations constituted the prohibited "illicit means" set out in Article 41.1 of the Trademark Law and should be cancelled, even though the disputed marks had been registered for over five years.

The Beijing No 1 Intermediate People's Court has thus become something of a pioneer in ruling against a clearly malicious registration. Its application of Article 41.1 is also pertinent to the unauthorised registration of another person's name as a trademark, because such actions are obviously in bad faith and may be deemed a violation of the principle of honesty and good faith.

### Apple's \$60 million settlement in IPAD dispute

The trademark dispute between consumer electronics giant Apple Inc and a Chinese company, Proview Shenzhen, has attracted much public attention. In this case, Apple was under the impression that it had purchased the global rights to the IPAD mark from Proview Technology, the parent company of Proview Shenzhen, in 2009. However, a Chinese court held that the purchase agreement between Apple and Proview Technology did not cover the mark in mainland China, where it was owned separately by Proview Shenzhen.

At the time, the lawsuit significantly interfered with existing sales and Apple's launch of the new iPad in China. After the verdict, Proview Shenzhen requested and succeeded in persuading the authorities in some Chinese cities to order resellers to remove iPads from their shelves.

As China is one of Apple's largest and most profitable sales markets, in July 2012 Apple agreed to pay Proview Shenzhen nearly \$60 million to settle the ownership dispute. The court-mediated settlement – announced on the website of the Guangdong High People's Court – confirmed the settlement, allowing Apple to continue selling its popular tablet computer in China.

### The importance of local expertise

When Apple was purchasing the trademarks from Proview Technology, its counsel's responsibilities should have included checking public records for all past registrations, renewals, transfers, pledges, licences and so on associated with each Chinese mark being purchased. A competent Chinese local counsel would have realised that Apple's contract with Proview Technology did not give it ownership of the IPAD trademark in mainland China. If the mistake had been caught early, Apple could have taken the necessary steps to resolve the issue before launching the iPad. Consulting local counsel who are more familiar with Chinese laws, procedures and practice is particularly important for foreign companies to avoid similar dilemmas.

### Potentially significant impact on damages

Although the IPAD case comprised many contractual issues, it still helped to highlight the importance and value of a well-known

trademark to the Chinese public and the Chinese judiciary. Apple's high settlement may be significant to future litigation, especially with regard to damages. The draft amendments to the Trademark Law have already raised the maximum statutory damages in trademark infringement litigation from Rmb500,000 to Rmb1 million. The combination of Apple's large pay-out and the draft amendments may encourage judges to award higher damages in infringement cases in the future. It is to be hoped that this will further protect rights holders while enhancing the importance and value of trademark protection.

### Trademark licensing – the need for smart and enduring strategies

The dispute between Guangzhou Pharmaceutical Holdings Limited (GPHL) and Hong Dao Co, Ltd (HDG) revolved around the licence for the WONG LO KAT mark, which is attributed to a popular tisane drink in China. During the 1990s, HDG licensed the mark from GPHL and combined it with its signature red cans to sell tisane drinks in China. As owner of the mark, GPHL also used it to sell tisane drinks in green cartons. HDG's successful marketing efforts made red-can drinks the most popular drink in China and resulted in revenues of between Rmb16 billion and Rmb18 billion each year.

In 2002 HDG negotiated an addendum, extending its licence of the WONG LO KAT mark from 2010 to 2020. However, in 2008 GPHL claimed foul play with regard to the addendum, claiming that its manager – who executed the addendum on GPHL's behalf – had been taking bribes from HDG. On May 9 2012 the China International Economic and Trade Arbitration Commission sided with GPHL and nullified the 2002 addendum. A Chinese court later dismissed HDG's request to revoke the commission's ruling. During the proceedings, GPHL presented evidence that the WONG LO KAT mark was valued at Rmb108 billion. After the termination of the licence agreement, GPHL became the sole owner of the mark and no longer had to share it with HDG.

This case once prompted a national debate on what many perceived to be GPHL's unfair act of reclaiming the WONG LO KAT mark from HDG. After the arbitration win, GPHL immediately began to release its own Wong Lo Kat-labelled tisane drink in red cans.

Since losing its right to use the WONG LO KAT mark, HDG started to sell its product under a new name – Jiaduobao Tisane. In the second half of 2012, Jiaduobao Tisane became one of the key sponsors of the popular show *Voice of China* and HDG continued to make progress in reinventing and rebranding its product. While many experts believe that HDG may succeed in transferring its previous goodwill to its new brand and trademark, this will be at a cost of millions of dollars in additional marketing fees. Thus, this becomes one more lesson in the importance of executing a smart and enduring trademark strategy.

These three trademark cases teach vital lessons and offer practical guidance to the development of Chinese trademark laws and judicial practice. As it is possible that new amendments to the Trademark Law will come into effect in 2013, we can expect additional high-profile trademark cases to further define the importance of trademark law in China. [WTR](#)

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