

Trademark management

Setting a precedent with anti-dilution protection

A Chinese high court has set an interesting precedent focusing on principles of anti-dilution in a case involving the protection of well-known marks. The judgment also provides hints on the latest judicial guidelines with regard to the protection of well-known marks in China

Like most countries around the world, China offers more protection to marks that have been officially designated as well known. However, this practice is not always favourable to foreign rights holders. For example, it is reported that 4,486 trademarks were recognised as well known by the Trademark Office and the Trademark Review and Adjudication Board (TRAB) as of the end of 2012. However, only about 2% of these were owned by foreign rights holders. In addition, many domestic companies try to have their trademarks recognised as well known for advertising and promotional purposes, rather than for reasons of legal protection.

There are hopes that the eagerly awaited new Trademark Law will deter this practice, as it prohibits the words 'well-known trademark' from appearing on goods, packaging or containers for advertisements, exhibitions and other commercial activities. This could well be good news for foreign rights holders trying to secure well-known status for their trademarks – especially considering new trends in case law, reflected in recent cases.

Beijing High Court ruling in *Sheraton*

In *Sheraton International IP, LLC v TRAB* (December 9 2013, Beijing High Court Final No960) Sheraton had filed an invalidation against Mark Reg No 4668880 (SHERATON & Xi Lai Deng Lumination in Chinese) in Class 11 on behalf of Sheraton International IP, LLC based on two cited marks – SHERATON and XI LAI DENG, (SHERATON in Chinese) in Class 43. The disputed mark completely contained Sheraton's cited prior well-known SHERATON marks in both Latin letters and Chinese characters. Its designated goods included "lighting apparatus; burners for lamps; lighting instruments and devices; ceiling lights; fairy lights for festival

decoration; lighting apparatus for vehicles" in Class 11.

The main evidence submitted by Sheraton included:

- advertisements, news bulletins and news review articles published in China;
- records on worldwide registrations of the cited marks, including in China;
- adjudications from some other countries, affirming that the cited trademarks were well known;
- material demonstrating that the SHERATON mark was well known around the world, including internet downloads and extracts from Chinese newspapers and magazines carrying relevant advertising material; and
- relevant official decisions recognising that SHERATON and 喜来登 are well-known trademarks in China issued by the Chinese Trademark Office in 2010 (the specific opposed marks were filed in 2003) and some official decisions from the Trademark Office and the TRAB confirming cross-class protection for well-known trademarks on non-similar or unrelated products or services.

The evidence included material dating from both before and after the disputed mark was filed in 2005.

Both the TRAB and the court of first instance held that Sheraton's two cited marks had not obtained well-known status when the disputed mark was filed in 2005, and moreover, the designated goods covered by the disputed mark were quite different from those hotel services covered by Sheraton's two cited marks. As a result, registration and use of the disputed mark would not result in confusion among the public.

Sheraton filed an appeal with the Beijing High Court, which emphasised that "the situation which misleads the related public and leads to possible damage to the interests of the registrant of that well-known trademark" should not be simply interpreted in view of market confusion. It should also be considered "whether the coexistence of the junior mark and the senior well-known mark would mislead the related public, which thereby might impair the distinctive quality of the well-

known mark or derogate their reputation as well as the goodwill in the related business". The court further held that "trademarks vary from each other in their distinctive characteristics. Well-known trademarks also vary from each other in their influences on the related public for different commodities. The more popular a well-known trademark is, the higher awareness and attention it might receive from the public. Well-known trademarks that have been registered in China and well known to the related public should be given protection in a wide scope that is suitable for its popularity when defining its protection scope on dissimilar goods."

The Beijing High Court affirmed in its ruling that Sheraton's two cited marks – SHERATON and 喜来登 – had become well known in the field of hotel services when the disputed mark was filed. The disputed mark was a simple combination of Sheraton's two cited marks along with a simple logo, and was therefore capable of misleading the relevant sector of the public and possibly causing harm to the owner of the well-known marks. This is in accordance with the conditions of a mark "to be refused to register and use" set out in Article 13(ii) of the Trademark Law.

Sheraton's two cited marks were themselves highly distinctive, in particular the cited mark in Chinese characters 喜来登, which was a fanciful phrase in the Chinese language created by Sheraton as a corresponding transliteration with an implied meaning of the Latin word mark SHERATON. Further, Sheraton had used and publicised the cited marks for a long time in the field of hotel services across a relatively wide geographical area with a relatively strong degree of influence. The two cited marks were widely known to the related public and were publicised to an extremely high degree. Based on the strong distinctiveness of Sheraton's cited marks and the high degree to which they were well known, the court held that a wider scope of protection should be granted.

Going forward

The judgment shows that the Beijing High Court is focusing on anti-dilution when it comes to protecting well-known marks in China. It also provides hints on the latest guidelines applied by high courts in China for the protection of well-known marks.

Rights holders that find themselves in similar situations would be well advised that in rights-conflicting cases, the courts would be inclined first to affirm the well-known status of a cited mark and then



decide whether the conflicting mark does in fact constitute a copy, imitation and/or translation of this mark which might result in confusion among the public and cause harm to the owner of the mark. Moreover, rights holders must be able to prove that their cited mark was well known in China before the filing date of the opposed/ disputed mark.

However, it looks likely that evidence such as an official decision recognising the well-known status of the cited mark issued on a later date – which can prove that the cited mark was well known before the conflicting mark’s filing date – will be accepted by the relevant authorities. In addition, supporting materials which can demonstrate that the cited mark was being used continuously for a long time across a relatively wide geographical area with a relatively high degree of influence will also be taken into consideration, even if this dates from after the filing of the conflicting mark.

In the above-mentioned case, the

Beijing High Court accepted the anti-dilution theory in order to protect the well-known marks SHERATON and 喜来登. To some extent this decision reflects the trend of judicial recognition of well-known trademarks advocated by the Supreme Court – namely, that the recognition of well-known marks must be normalised without reducing the threshold for judicial determination.

For foreign applicants whose trademarks have long enjoyed a strong reputation in the Chinese market, this trend should help to reduce the burden of proof that they need to provide to demonstrate well-known status of their marks. Although this case does not mean that all such cases will necessarily yield the same result, it does set a strong precedent.

This new judicial trend certainly suggests that owners of well-known marks will be offered better legal protection to reflect more accurately the true principles and values of the well-known trademark system. 

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