



## Trade marks in China: a New Balance

by Pravin Barthia

There was a time when companies were sceptical about IP protection in China, with the general impression being that the law was heavily weighted in favour of local companies, some of whom seemed to make a habit of hijacking foreign brands. But things have changed considerably over the past few years, and a recent trade mark development should further persuade African businesses that their IP rights, and particularly their trade marks, will be properly protected in China.

According to the publication *The Trademark Lawyer*, a Chinese court has recently ordered three Chinese companies to pay shoe manufacturer New Balance damages of USD1.5-million for trade mark infringement. The company owns a number of trade marks, including the name New Balance, but this case related to a logo mark, the slanting N Logo. New Balance sued three Chinese companies – Zheng Chaozhong, Xin Ping Heng Sporting Goods Limited Co, and Bo Si Da Ke Trading Limited – which seemingly all used a very similar logo in relation to shoes sold under the name New Boon. The Suzhou Intermediate People's Court found for New Balance, and spoke of the fact that the local companies had "seized market share" from New Balance, and "drastically damaged the business reputation" of the company. It's the damages award that's the most eye-catching, however. Although Chinese courts have not shied away from damages awards over recent years, this is apparently the largest damages award that a Chinese court has made in a trade mark infringement case involving a foreign trade mark owner.

Damages awards tend to get trade mark lawyers excited, because in some countries damages awards for trade mark infringement are rare. That's because it can be very difficult to establish exactly what financial loss has been suffered – for example, in Mauritius and South Africa, a court will award an interdict (injunction) where there has been an infringement, but when it comes to the financial side, it's more likely to order a separate inquiry into damages (something that seldom actually happens) than make a damages award. But Chinese trade mark law was amended a few years back to make it easier for courts to award damages, including triple damages in cases where there is bad faith, and penalties of up to 500% of the profits earned from the infringement.

Given the importance of China as a destination for African companies – both as a market and as a source of manufacture – we have written about Chinese trade mark law on a number of occasions. Over the past few years, we have tracked a steady improvement. For example, we've reported on how the company 3M persuaded a Chinese court (and an appeal court) that a Chinese company, Changzhou Huawei Advanced Material Co Ltd (Huawei), had infringed the trade mark 3M by using the trade mark 3N. The court ordered the Chinese company to pay damages, after taking account of certain aggravating factors: the infringement had been going on for many years, it had resulted in huge profits, and the Chinese company had been very reluctant to disclose financial records.

We've reported on how the Scotch Whisky Association successfully sued two Chinese companies – Shanghai Make Lipu Wine Co Ltd and Qingdao Make Lipu Co Ltd – for infringing a collective trade mark registration that it has for the term Scotch Whisky in class 33 for whisky – the two companies were using the term on products that did not originate in Scotland. Once again, the court ordered the payment of damages. The Chinese companies took the case on appeal, but the appeal court upheld the first court's finding.

Chinese trade mark law has been improved in many ways of late. Besides the issue of damages for infringement, there was a significant development a few years back when the authorities tackled some of the problems caused by the first-to-file system, a system that says the first company to file an application to register a trade mark owns it. This was mitigated by requiring good faith when it comes to filing a trade mark application, and by introducing penalties for lawyers who act in bad faith. A further improvement was the introduction of multi-class filing; in other words, a system whereby a number of classes of goods or services can be covered in a single application, something that leads to cost savings. A third improvement was the requirement for the registry to deal with trade mark applications within a period of nine months, thus speeding up the registration process. As a result of these changes, foreign companies now file huge numbers of trade mark applications in China. And, as a result of a concerted effort to promote IP by the Chinese authorities, Chinese companies file vast numbers of trade mark applications, both in China and abroad.

The trade mark landscape in China is looking a lot less hostile than it once did.

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