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## Nuances arise in China's trademark law

Several recent high profile cases in China have made Western legal and business experts refocus on China's trademark law. Michael Jordan, the former NBA star, filed a suit in a Chinese court against Qiaodan Sports Co. for unauthorized use of his Chinese name (Qiaodan). Jordan wins, right? Not so fast. One cannot begin to analyze the case without a clear understanding of China's trademark law and enforcement measures under the law.

Just ask Apple. Proview, a Shenzhen, China, electronics maker, filed a trademark infringement complaint against Apple in a branch of the Beijing Administration for Industry and Commerce, alleging that Apple's iPad infringed on its trademark, iPad, which was originally registered in 2001 in conjunction with its development of a personal computer. iPad failed to win any Chinese consumers, while iPad has become one of the best-selling tablets in the world.

Despite iPad's worldwide success, Chinese enforcement officials found against Apple and issued a fine of up to 240 million yuan or approximately \$38 million. Apple's iPads have been pulled from store shelves in several Chinese cities. Proview also brought a suit against Apple in Chinese civil courts in Shanghai and Shenzhen, China, seeking injunctive relief and money damages.

Apple is not the first, and certainly will not be the last, well-known foreign company to experience woes while navigating China's murky trademark system. When Pfizer's Viagra first entered the Chinese market in early 2000s, Pfizer intended to use the Chinese name Wan Ai Ke as its brand name. However,

several Chinese drug companies, including Welman, based in Guangzhou, China, had already registered a phonetically similar name Wei Ke (which means "great brother" in Chinese) and were selling counterfeit pills.

In 2002, Pfizer was forced to register a trademark depicting a three dimensional diamond shape and blue color of the Viagra pill as its mark. Pfizer was then engaged in a decade-long litigation against the alleged infringers and counterfeiters. The lengthy and costly litigation only produced mixed results for Pfizer.

Hermès, a well-known French luxury designer, sued China's Trademark Appeal Board over its repeated refusal to cancel a trademark that is similar to Hermès' Chinese name, Ai Ma Shi. A Chinese court recently ruled against Hermès, finding that the trademark board had properly approved the other trademark when a Chinese menswear company registered it more than a decade earlier. The Chinese court had specifically found that although Hermès had

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provided evidence that its Chinese name was well known in Hong Kong, it was insufficient to show that the Ai Ma Shi mark was illegally acquired or that it was well-known among mainland Chinese consumers.

In 1995, Dafeng Garment Factory, a southern Chinese men's clothing company, applied to the trademark board to register Ai Ma Shi for its men's clothing line. Dafeng's mark is written slightly differently from Hermès' mark, but both marks share the same oral pronunciation in Chinese. Dafeng's mark was approved by the board. Before the court battle, Hermès unsuccessfully appealed the registration twice, most recently in 2009. The board rejected Hermès' claim that its Chinese name should have been protected as an unregistered, well-known trademark in China.

Western companies thinking about doing business in China should take a closer look at the functioning of China's trademark law and their Chinese brand name strategies. Unlike the United States, China uses a "first to file" system when it comes to trademarks, meaning that the party who first registers the trademark gets the mark. Once a mark has been approved, there is a period during which third

parties may object to the registration and seek to have the registration canceled. There are no unregistered or common-law trademark rights under the Chinese system.

Legal measures used to combat trademark infringement are also different in China. Today, trademark disputes in China are likely resolved using an administrative enforcement procedure. The aggrieved party may file a complaint with the Chinese government agency charged with enforcement of intellectual property rights. If the administrative agency finds merit behind the complaint, it will begin an investigation. The agency cannot award damages, but has the power to enjoin infringers from further infringement activities.

Civil litigation is another option for protecting trademark rights in China. However, China is a civil law country and the rules of evidence are very different from the evidentiary rules in common-law jurisdictions. Discovery is also often very limited.

Pfizer and Hermès are case studies of Western companies who failed to come up with timely branding and trademark protection strategies in China. While the outcome of the Jordan lawsuit remains to be seen, there are legal precedents involving famous Chinese athletes that could help Jordan obtain a favorable ruling.

The bottom line: Western companies looking to get into the Chinese market should not overlook or underestimate the Chinese trademark system. Companies interested in China should first develop comprehensive trademark protection and branding strategies before entering the market.