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Practice Group:
Intellectual Property

What Your Company Should Know About Protecting Against Trademark Infringements in China's Fashion Apparel Industry

It is no secret that trademark infringements are rampant in the People's Republic of China ("PRC" or "China"). As the popular phrase goes, "傍名牌, 搭便车," which translates to "feigning as brand name companies and free riding on their coattails," these cases have steadily increased over the years. In fact, in 2012 alone, PRC courts have heard 19,815 trademark civil cases and 1,123 trademark administrative and unfair competition cases. With the rising number of disputes, PRC courts have taken an active stance to resolve disputes and protect companies from improper trademark infringements and unfair competition. Most notably, in March 2013, the Supreme People's Court issued guidance on two "typical" cases that pertain to the fashion apparel industry, highlighting the direction in which PRC courts are handling infringement cases.

Two "typical" cases on trademark infringements

1. Jack & Jones: Infringement on Domain Name

One trademark infringement case involves the leading Danish men's apparel company Jack & Jones. In *Jack & Jones*, Defendants Cui Huan and Du Xinghua registered the domain name of jackjonescn.net without the Plaintiff Bestseller Company's (the company with exclusive Jack & Jones trademark rights in China) authorization, using this domain name to establish a Jack Jones Chinese website. The defendants' website included multiple infringements of Jack & Jones trademarks, including heavy use of the name and logos in website search results, main webpage, and company introduction. The defendants also used Jack & Jones trademarks and images in the clothing catalog to sell fake Jack & Jones products. Plaintiff Bestseller Company filed suit for trademark infringement at the Haidian District People's Court. Haidian District People's Court ruled that the defendants did not receive permission from the trademark owner, using "Jack & Jones" trademarks in the same kind of goods, introduction, and transactions, and that its use of Jack & Jones trademarks in the website led to public confusion and misidentification. The court ordered the defendants to terminate their sale of fake goods, close their website, and cease the use of the domain name "jackjonescn.net." The court also ordered the defendants to publish statements on Legal Daily and Sina.com to mitigate consequences, and to compensate the plaintiff for approximately 1 million RMB in economic losses.

2. Gap Inc.: Infringement on Trademark Registration

Another classic example listed by the Supreme People's Court involves the American clothing company Gap Inc. In 1999, Defendant Xinhengli Glasses Manufacturing Company applied to register the "GAP" trademark for its company, which specializes in eye glasses, seven years after Gap Inc.'s registration application. The National Administration for Industry and Trademark Office and the Trademark Review and Adjudication Committee had approved the defendant's application, citing that

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the products, uses, and services did not constitute similar goods and services as Gap Inc., and hence is permitted to register such trademark. Plaintiff Gap Inc. appealed to both the Beijing First Intermediate People's Court and Beijing Municipal High People's Court, which both upheld the Trademark Review and Adjudication Committee's decision to approve the opposed trademark. Gap Inc. subsequently appealed to the Supreme People's Court for retrial. After taking into account the evidence provided, the Supreme People's Court ruled in favor of Gap Inc. The court reasoned that the "GAP" trademark had been used in China before the defendant's trademark filing date and had gained a well-known reputation. The defendant company also advertised that its origin is from the United States and showcased actions that indicate intent to "free ride" on Gap Inc.'s popularity. Furthermore, the court reasoned that while the defendant's products (eyeglasses) fall in a different category than Gap Inc.'s products (clothing apparel), the functional use of their products, sales channels, and consumer groups is closely related; in fact, fashion companies commonly manage apparel, glasses, and accessories under the same brand name. Based on the above reasons and Gap Inc.'s well-known trademark, the court concluded that the defendant's actions constituted use of similar trademarks on similar goods and possessed free-riding intentions, and hence should not be permitted to register the trademark.

What do these cases mean to international apparel companies?

Both *Jack & Jones* and *Gap Inc.* represent classic trademark infringement cases in China, but are significant in different ways. In *Jack & Jones*, the court emphasized the "feigning as brand name companies" aspect of trademark infringement, particularly the defendants' malicious intent to confuse the public as the original Jack & Jones company, as well as the serious consequences and economic loss caused by the defendants' violations. In *Gap Inc.*, the court focused on the "free riding" aspect of trademark infringement. Most notably, the court recognized and factored in the well-known reputation of Gap Inc. and allowed for the crossing of different product categories. This is especially noteworthy because it indicates the court's willingness to accept the argument that even if the defendant's infringing products are not in the same category as the plaintiff's products, they may still violate the plaintiff's trademarks. As these two types of actions are commonly seen in PRC courts, they serve as useful guidance if apparel companies face similar situations in trademark infringement and registration filing in the future.

Practical Tips on Protecting Your Trademarks in China

Even though PRC courts are playing a more active role in trademark infringement cases than ever before, companies can take several precautionary steps in protecting their trademarks.

For trademark filings:

- **Register your trademark as quickly as possible.** Since China follows the "first to file" policy, registering your trademark as quickly as possible is the key to protecting your IP.
- **Properly register your trademarks by registering multiple categories and subcategories of goods.** As a preventative measure, companies should register their trademarks in as many closely related categories and sub-categories of goods.

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For trademark infringement actions:

- **Vigilantly monitor infringement actions and use China's administrative process.** Companies should use the administrative process to cease infringing products and tools, impose fines, and seek court imposed raids if necessary.
- **Use court proceedings to seek damages and to obtain well-known trademark status.** As courts have become the main channel to protect IP, companies can use litigation to serve as warnings for other violators. Companies can also seek the court's recognition of "well-known trademark" status in current or future cases for increased trademark protection.

The bottom line is that international apparel companies need to be vigilant in protecting their trademarks and should seek consultation before issues arise. By taking adequate precautions in the filing process and active measures when violations occur, international apparel companies can continue to thrive in China's growing fashion landscape.

Authors:

Yujing Shu

yujing.shu@klgates.com

+86.10.5817.6100

Hai-Ching Yang

hai-ching.yang@klgates.com

+86.10.5817.6102

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