

**Protection against Trade Mark
Infringement in China Seen from the
Italian Perspective:
*Ariston Thermo China Co Ltd and
M&B Marchi e Brevetti Srl v Foshan
Shunde A Li Si Dun Electric
Appliance Co Ltd***

By

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would clearly fall within the ambit of s.21, it would render that section close to being obsolete, except for the poorly advised.

Are the claimants “person[s] aggrieved” and therefore entitled to relief under section 21?

The Master of the Rolls considered that the claimants were the direct recipients of the threat (albeit through their solicitors) and, as such, they did not need to show any damage in order to establish that they were aggrieved, although if they were required to establish a prima facie case for having suffered some damage as a result of the threat, he was satisfied that they had done so.

Comment

This decision serves as a warning to holders of CTMs and to non-UK lawyers to be aware that an express or implied threat of proceedings for infringement of a CTM can found the basis of a claim in the United Kingdom under s.21 TMA 1994, although only if the threat concerned was of proceedings in the United Kingdom.

The Court of Appeal has construed the exceptions to s.21(1) TMA 1994 narrowly. Accordingly, holders of CTMs should take great care not to send cease and desist letters threatening proceedings unless they are prepared to issue proceedings for trade mark infringement. Further, it would be wise not to publicise the sending out of cease and desist letters, where no proceedings are contemplated, given that a defendant may argue that this causes damage to their business.

Marking a threatening letter “without prejudice” may have little or no protective effect against a potential threats action. While the Court of Appeal found that the threats in this instance were not covered by without prejudice privilege, the Master of the Rolls commented that genuinely without prejudice communications did not allow a person to make threats which would otherwise clearly fall within the ambit of s.21 with impunity; if it did, it would render that section close to being obsolete. Accordingly, great care should be taken when referring to the possibility of continued litigation or further court action in without prejudice communications.

Long term, there is much force in the proposal to abolish the statutory provisions for threats in the United Kingdom, as being an anachronism that impedes the free flow of discussions between parties at an early stage of a dispute. The threats provisions run contrary to this central tenet of the Civil Procedure Rules, through its Practice Direction (Pre-Action Conduct), the pre-action protocols and CPR rr.3.1(4)-(5) and 44.3(5)(a), together with the overriding objective. They also create uncertainty in the way they cut across the enforcement of Community-wide rights.

Protection against Trade Mark Infringement in China Seen from the Italian Perspective: *Ariston Thermo China Co Ltd and M&B Marchi e Brevetti Srl v Foshan Shunde A Li Si Dun Electric Appliance Co Ltd*

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☞ China; Household appliances; Infringement; Italy; Trade marks; Well-known marks

This is a comment regarding a judgment obtained by an Italian company (M&B Marchi e Brevetti, which is part of the Ariston group) and its Chinese subsidiary (Ariston Thermo China Co Ltd) having a long-term presence in China and specialising in the manufacture and marketing of household water heaters. An interesting aspect of this case is the fact that the Shanghai Court judges have punished quite severely the trade mark infringers using a similar mark which is particularly well known to the Chinese public, even though it is not one of the “celebrity” brands, typical of fields like fashion and luxury goods.¹

Background

The Italian group Ariston, one of the world’s leaders in the production and marketing of water heaters bearing the same brand, has faced serious trade mark infringement in the Chinese market. The infringer was a company from Foshan city, called Shunde A Li Si Dun Electrical Appliance (A Li Si Dun—is the Chinese equivalent of the word “Ariston”).

¹ See *Ariston Thermo China Co Ltd and M&B Marchi e Brevetti Srl v Foshan Shunde A Li Si Dun Electric Appliance Co Ltd*, Shanghai Intermediate People’s Court (February 24, 2011).

The Chinese company produced and advertised water heaters bearing the brand name “A Li Si Dun” and “Arizhu + house device” which was similar to the Ariston registered trade mark (see the comparison between the two trade marks in Figures 1 and 2 below). It was also the proprietor of a domain name very similar to a Chinese version of the Ariston brand (<http://www.arisitun.com> [Accessed July 18, 2011]). The products of that company presented serious problems: the Chinese press reported circumstances in which the explosion of water heaters caused serious injury and even death to consumers, and reference was always made to the “A Li Si Dun” trade mark, exactly the same as Ariston’s Chinese brand.



Figure 1 The Ariston trade mark



Figure 2 The Arizhu trade mark

In early 2010, two companies of the Ariston group (the Italian holder of the Ariston trade marks portfolio and the Chinese branch company) filed a civil suit before the Shanghai Court against the infringer and its Shanghai distributor, claiming trade mark infringement and unfair competition, and seeking injunction, damages and publication, on the part of the infringers, of a statement in the local press aiming to eliminate the negative effects of the confusion that had arisen between the signs and to restore the good reputation of the Ariston brand in China.

Since the Ariston group has been manufacturing and marketing its products on the Chinese market for more than two decades and has invested considerable amounts in advertising of its brand, all relevant documents were filed in order to show the judges that the brand was important and well known (which increased also the prejudice suffered by the Italian group due to infringement).

Judgment from the Shanghai Court

The judgment was rendered at the end of February 2011, in less than one year. The panel of judges held that both the “A Li Si Dun” and the “Arizhu + house device” signs used by the defendant infringed the plaintiff’s registered trade marks. In particular, as far as the earlier sign is concerned, the Shanghai Court stated that A Li Si Dun is

the dominant element of Ariston’s complex trade mark (composed of the words Ariston and A Li Si Dun as well as of the house device; see Figure 1), owing to the fact that its being written in Chinese characters attracts more attention from Chinese consumers. Therefore the “A Li Si Dun” sign, even used without other elements, still interferes with the complex Ariston trade mark. With reference to the “Arizhu + device” sign, the court declared it was sufficiently similar to the plaintiff’s “Ariston + device” trade mark to cause a risk of confusion for consumers when used on the same kind of product.

As a consequence, the judges issued an injunction enjoining both Chinese companies from using both signs on the products, on advertising materials, as a domain name (which was also found infringing, as “arisitun” was very similar to “alisdun”) and as a company name. The infringing manufacturer was also condemned to provide compensation for the prejudice caused to Ariston, in the amount of RMB 300,000 (approximately \$45,000, which is an important amount of statutory damages according to Chinese standards), and to the publication of a statement, to be approved by the Shanghai Court, on two national newspapers.

The judgment also confirms that the Ariston water heaters and the Ariston brand enjoy a high reputation among Chinese consumers, but the official declaration of the status of well-known trade mark was denied owing to the fact that in this particular case the declaration of infringement did not require the recognition of such a status.

Comment

The judgment here at issue confirms that foreign companies can count on a fast and efficient system of justice in China, which has improved in the past few decades as far as intellectual property law is concerned. The point that could be highlighted is the problem of recognition of the trade mark’s well-known status.

It might sound surprising that while the declaration of that status was denied in the judgment, the judges, however, expressly confirmed the “high reputation” of the ARISTON trade mark in China. It is thus possible that the owner of a famous (and indeed well-known) trade mark can see its request for recognition of well-known status rejected. Therefore the “high reputation” of a mark either is not sufficient in order for that mark to be officially considered well known in China or it is sufficient but in the *Ariston* case there arose further issues that excluded any possibility of well-known status recognition. Let’s see which one of these two options applies here.

Definition of well-known trade mark in China

China’s current discipline of well-known trade marks has been established by a set of laws and regulations providing the proprietors of such marks with a unique instrument to enforce their rights before both public

administration institutions and courts, in cases where trade marks which are not well known could not find protection.

More specifically, the concept of a well-known trade mark was introduced into Chinese law as part of the second revision of the Trademark Law in 2001. Article 14 of the Trademark Law sets out relevant factors that must be taken into consideration when determining whether a mark is well-known: (1) reputation of the mark among the relevant public; (2) period of time in which the owner has made a continuous use of the mark; (3) period of time, extent and geographical area of advertisement of the mark; (4) already obtained decisions or judgments referring to the protection of the mark as a well-known mark; and (5) any other factors relevant to the mark's reputation.

The complete definition of "well-known trademark" was introduced in 2003, in the Act entitled "Recognition and Protection of Well-Known Trademarks Provisions" (the Provisions) by the State Administration for Industry and Commerce (SAIC). According to r.2 of these Provisions:

"A well-known trademark refers to a trademark that is widely known to the relevant sectors of the public and enjoys a relatively high reputation in China. Relevant sectors of the public shall include consumers of the type of goods and/or services to which trademark applies, operators who manufacture the said goods or provide the said services, and sellers and other persons involved in the channels of distribution of the type of goods and/or services to which the trademark applies."

The requirements seem to be two:

1. high reputation in the entire country;
2. wide knowledge of the trade mark among interested consumers and on the market for the reference products.

Of the two, the earlier one appears more important, since the nationwide reputation is surely more difficult to obtain than the recognition on the market in which one operates. It must be added that a mark need not be well known in every Chinese region, although a strong reputation in only one or few regions may not be sufficient. For this reason, foreign companies operating in China register trade marks also in their Chinese transliteration. Certain overseas enterprises even choose to combine their Western (usually well-known) mark with its Chinese version, as *Ariston* did (see the trade mark in Figure 1). In this way, they make it easy for Chinese consumers to identify and remember their distinctive signs, which is the first step in order to acquire reputation (according to a 2008 ruling of the Beijing Higher People's Court, a mark's foreign reputation will be given only a little weight when determining whether it is well known, since reference should be made to its recognition among Chinese consumers).

In the light of the above, it seems that the confirmation of the *Ariston* brand's high reputation in the judgment here at issue is actually the confirmation of its well-known character. Therefore the reason for the refusal to officially declare that circumstance was merely formal and due to very restrictive rules for the recognition of well-known trade mark status.

As far as the rules are concerned, they are slightly different depending on the type of procedure followed by a trade mark owner in order to obtain a declaration of well-known status. In the *Ariston* case, the recognition of that status was requested before a court (namely the Shanghai Court) but such a request can be also made, as an alternative, before an administrative authority.

In any case, in relation to both these procedures, new and more detailed rules were introduced in April 2009, in accordance with the 2001 Trademark Law and its Implementing Regulations. More specifically, both SAIC and China's Supreme People's Court have released two documents that aim to regulate, clarify and standardise the rules and procedures governing the recognition of well-known trade marks throughout China. To this aim, SAIC issued the "Detailed Rules on the Recognition of Well-Known Trademarks" (the Detailed Rules) to be applied before administrative authorities (mainly the Chinese Trademark Office and TRAB, these being SAIC subsections). The Supreme Court released the "Interpretation on the Application of the Law Concerning Several Issues Regarding the Trial of Civil Disputes Related to the Protection of Well-known Trademarks" (the Civil Disputes Interpretation), to be applied in judicial proceedings.

Generally speaking, the well-known status of a trade mark is examined by authorities (either administrative or judicial) only if this is deemed necessary in order to carry on the main proceeding. Let's see exactly what is meant under "necessary".

Well-known trade mark recognition before the courts

According to the Chinese Supreme Court, it is possible to claim for a declaration of well-known status where the plaintiff's trade mark is registered in China and the infringer uses it (or a similar mark) for different products or where the plaintiff's trade mark is not registered in China but is being used by the infringer. If this is the case, the plaintiff should file all necessary evidence in order to demonstrate that its (registered or unregistered) trade mark is well known to Chinese consumers.

More in detail, in case of proceedings before civil courts, the Civil Disputes Interpretation clarifies the cases in which the well-known status of a trade mark may or may not be examined:

- (i) the infringed well-known trade mark is not registered in China but is used and widely known by the Chinese public;

- (ii) the infringed well-known trade mark is registered, but for goods or services other than those for which the infringer uses an identical or similar mark (for instance, *Eastman Kodak Co v Hangzhou Meichi Trading Co Ltd*, a case before the Changsha Intermediate Court);
- (iii) the infringer uses the plaintiff's well-known trade mark as a company name (*Shanghai Starbucks Coffee Co Ltd and Shanghai Starbucks Coffee Nanjing Road Subsidiary v US Starbucks Corp and Shanghai Unite Starbucks Coffee Co Ltd*, case before the Courts of Shanghai. The second instance court decision was rendered on December 20, 2006);
- (iv) the defendant in an infringement case counterclaims that the enforced trade mark is a copy of its unregistered well-known trade mark.

To the above mentioned situations, one may also add disputes on domain names registered in violation of earlier well-known trade marks. Nevertheless, the judicial practice shows that the status of well-known trade mark was recognised only in few domain name cases (the website associated with the disputed domain name must be engaged in commercial activities relating to goods and services other than those of the enforced trade mark, just as requested in the case under (ii) above).

Moreover, a competent court will deny declaration of the well-known status of a trade mark where:

- (i) the trade mark infringement or unfair competition could be established even though the enforced mark was not well known (in other words, where the infringing marks are used for identical or similar products and where the enforced mark is duly registered in China);
- (ii) trade mark infringement or unfair competition could not be established because other requirements necessary for their recognition (other than those concerning the well-known trade mark) were not fulfilled.

Well-known trade mark recognition before administrative authorities

As far as administrative proceedings are concerned, the competent authorities will recognise the well-known status of a trade mark where the owner of the said trade mark files:

- (i) an opposition proceeding against the registration of a third party's identical or similar mark (before the Chinese Trademark Office);
- (ii) a cancellation proceeding (before TRAB);
- (iii) a request for the AIC (Authority of Industry and Commerce) to act against an infringer (generally the authority makes a raid and issues an injunctive order).

Final remarks

Therefore in China the well-known status of a trade mark will be officially declared only if this is strictly necessary in order to decide the specific case in which such a request has been made by the trade mark owner. If the case can be decided without that declaration, namely if the infringement exists even for a mark that is not well known, the request will be rejected. This is exactly what happened in the *Ariston* case: since the enforced marks were all duly registered in China and since the infringers' products were identical to those for which the marks had been registered, there was no need to analyse documents concerning the mark's reputation among the Chinese public and to declare this specific status in the judgment.

From that perspective, the approach followed in China (well-known status of a trade mark will be examined only in cases where it is deemed necessary) is completely different from the one of the European courts, the latter always analysing and taking into consideration the well-known status of a trade mark, where this is adequately proved by the interested party. Indeed, according to Recital 10 of the Preamble to European Directive 89/104 on trade marks, the appreciation of likelihood of confusion depends on numerous elements and, in particular, on the recognition of the trade mark on the market. The European trade mark discipline thus links the recognition of distinctiveness with the likelihood of confusion of a trade mark (the more distinctive the mark, the likelier the risk of confusion), so that the well-known status must always be considered, where existing. In European law, the high distinctiveness due to the knowledge of a trade mark among consumers will always have a positive influence on the assessment of the likelihood of confusion.² This is not the case in China: the widespread knowledge of the trade mark among consumers will play an important role only where it is otherwise impossible to declare the existence of a risk of confusion. This difference is due to the fact that the Chinese declaration of well-known status of the mark has really important consequences for its owner.

More specifically, obtaining well-known status is extremely useful for the future enforcement of their trade marks. Indeed, once it is declared well known, a mark enjoys the cross-class protection and the infringement litigation seems to be less complex (including more considerable damage compensation). Furthermore, the

² See *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc* (C-39/97) [1998] E.C.R. I-5507; [1999] E.T.M.R. 1; and similarly *Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV* (C-342/97) [1999] E.C.R. I-3819, [1999] E.T.M.R. 690.

rights and privileges of well-known trade marks recognised by the Chinese authorities are obviously higher than those enjoyed by proprietors of marks that are not well known. Indeed, the earlier are protected under the Trademark Law even if they are not registered (in accordance to the Paris Convention) and they can be enforced for unfair competition against an infringer in order to obtain an injunction enjoining the infringer from using the mark as a domain name, whereas this measure cannot be used to protect trade marks that are not well known (in other words, there is no “anti-cybersquatting” protection for regular trade marks). Therefore acquiring well-known status provides a strong protection in the Chinese trade mark law, wider than the European one where well-known status only grants cross-border protection.

It should be added that acquiring well-known status for a trade mark is not that easy. Indeed, in the past few decades the recognition of well-known status has become an important objective for the owners of well-known trade marks and the cases have become so many that the Chinese Supreme Court decided (in 2008 and 2009) to limit the access to this special status in order to avoid any sort of abuse. This limitation led to the establishment of grounds and cases in which such a declaration may be applied for (as set forth before). Administrative proceedings, too, were reviewed in 2009 (in the “Working Rules” issued by SAIC).

Nevertheless, in the past few years many companies have tried to achieve recognition for their brands, applying for an official confirmation of this status in cases of civil or administrative litigation concerning their marks. The first trade mark to be recognised as well known in China was the foreign trade mark PIZZA HUT; the decision was rendered in 1987, during an opposition proceeding against the registration of a third party’s similar trade mark. In 1989 the Chinese authorities recognised the first well-known Chinese trade mark (TON REN TANG). Subsequently, many other marks were declared to be well known, including NISSAN, BAYER, TISSOT, YSL, CARTIER, McDONALD’S and the M device, GOOGLE, SHISEIDO, ROLEX, PANASONIC, L’ORÉAL and SAMSUNG. Some others have been recognised as well known in their Chinese transliteration, such as WALMART, BLOOMBERG, TOYOTA, PORSCHE and STARBUCKS (which became XINGBAKE in its Chinese transliteration). On the other hand, courts will continue to play an increasingly important role in trade mark protection in China for a number of reasons, including the judicial review of administrative enforcement cases and the institution of more specialised intellectual property court divisions.

Fettering: The UK Trade Mark Registry’s Fugitive Dilution Doctrine

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☞ Dilution; Opposition; Trade marks

Fettering, or inhibition, involves blocking the senior user’s ability to expand into new product classes. It is commonly believed that the Registry treats fettering as a relative ground for refusal under s.5(3) of the Trade Marks Act 1994. This comment examines the decisions on fettering, concluding that although many senior users have relied on the action, it has never been accepted by the Registry. However, there is some surprising evidence of its adoption by the Court of Appeal. The propriety of dealing with fettering as a form of dilution is also questioned since it does not fall within the categories of dilution recognised by the CJEU.

There is a commonly held belief¹ that the UK Trade Marks Registry recognises “fettering” or “inhibition” as a ground for the refusal of registration under s.5(3) of the Trade Marks Act 1994.² This is said to occur where allowing the junior user to register its mark would prevent the senior user from extending its business under its trade mark into the junior field of activity. If the junior user were to obtain registration, it would be able to bring an infringement action against the senior user for the goods or services for which the junior user, was registered.

The action first appeared in *LOADED*. The senior user published *Loaded*, a men’s magazine. The junior user applied to register “Loaded” for clothing. The senior user had previously distributed promotional T-shirts and jackets bearing the *LOADED* trade marks, and argued³ that if the junior user succeeded in obtaining registration for clothing, the junior user would be able to bring an infringement action against any further marketing of this nature. Since such marketing was a normal thing for a publisher to do, registration would constitute an “unfair fetter and hence cause detriment”.

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¹ See for example M. Spence, “Section 10 of the Trade Marks Act 1994: is there really a logical lapse?” [2001] E.I.P.R. 423, 425. The argument is commonly raised before the Registry, albeit with limited success.

² The UK equivalent of art.4(4)(a) of the Trade Marks Directive.

³ *LOADED* O/455/00 (September 22, 2000) at [58].