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Shanghai Meizheng Garments Co., Ltd. v. Bonneterie Cevenole S.A.R.L.

Citation: The Shanghai Higher People's Court's Civil Judgment No. Hugaaminsan (zhi) zhongzi 24/2004

Date of judgment: July 6, 2004

Procedural history

The Bonneterie Cevenole S.A.R.L. (Bonneterie Cevenole) sued, in the Shanghai Intermediate People's Court, the Changsu Haoteba Co., Ltd (Haoteba), Shanghai Meizheng Garments Co., Ltd. (Shanghai Meizheng), the Monteque Mayjane (pronounced "mei zheng" in Chinese) (H. K.) Fashion Limited (Hong Kong Mayjane), Gan Chuanmeng and Gan Chuanfei for infringement of its trademark right and for unfair competition. In the first instance judgment, the five defendants' acts were found constituting infringement of the trademark right and unfair competition. Shanghai Meizheng appealed to the Shanghai Higher People's Court.

Issue

1. Whether the use of the infringing representation in multiple ways constitutes both trademark infringement and unfair competition?
2. Whether it is necessary to go through the administrative procedure for trademark dispute to solve the dispute on the registration of the trademark in suit first where a improper use of a registered trademark had infringed another registered trademark right?

Facts

The Bonneterie Cevenole, a business incorporated and registered in France, filed, from June 1986, applications with the Chinese Trademark Office for registration of four marks in goods in class 25,

such as clothing, shoes and caps. The mark (registration No. 795657) was composed of a device of petal, leaf, and stem. The mark (registration No. 577537) was of the three Chinese characters “梦特娇” (for MONTAGUT, pronounced “meng te jiao”) written in the complicated Chinese characters; and the marks (Registration Nos. 253489 and 1126662) were both marks of the “MONTAGUT and the flower device”.

The Hong Kong Mayjane was set up and registered in Hong Kong. While its corporate name contained the three Chinese characters “meng te jiao”, the business was not related to Bonneterie Cevenole, holder of the above marks. Its board directors were Gan Chuanfei and Gan Chuanmeng, and the business owned the “梅蒸 MEIZHENG” (the Chinese translation of “Mayjane”) and the device mark (No. 1220606) used in clothing in class 25. The Shanghai Meizheng was set up in Shanghai, and its legal person was Gan Chuanmeng. The Hong Kong Mayjane authorized the Shanghai Meizheng and Changshu Haoteba to make and market the MEIZHENG” brand clothing.

The Shanghai Meizheng and Changshu Haoteba did not use, in a regulated manner, the registered “MEIZHENG” mark when marketing their clothing, bags, hang tags, and at the Shanghai Meizheng special stores. They added the words “梦特娇”, “MONTAGUT and the flower device”, “petal device” and “Paris” to the mark, without the former registered mark “梅蒸” or “Mayjane”. Besides, they used the “petal device” sign in their enterprise names in their special stores, indicated, at interval, the Pinyin of the Chinese characters for “Montagut”, “Mayjane” and the petal device on the shelves in these stores, and indicated “MONTAGUT” on the price tag as the brand name.

The first-instance court decided that the five defendants infringed Bonneterie Cevenole’s “梦特娇” and “petal device” registered marks.

The Shanghai Meizheng argued that 1) the present case involved a trademark right infringement dispute, and its act should not be regulated by the two different laws, so the court’s decision that Shanghai Meizheng’s act constituted an infringement of the trademark right and unfair competition was made with undue application of law; and 2) The Hong Kong Mayjane’s mark was registered with the Trademark Office. Under the relevant law provisions, Bonneterie Cevenole should

first request the TRAB to cancel the registered mark, and the Supreme People's Court's judicial interpretation concerning trial of trademark cases was applicable to this case after the TRAB made its adjudication.

Rule of law

Article 52 of the Trademark Law *Any of the following acts shall be an infringement of the exclusive right to use a registered trademark: (1) using a trademark that is identical with or similar to a registered trademark in respect of the identical or similar goods without the authorization of the trademark registrant; ...*

Article 9, paragraph two, of the Supreme People's Court's Interpretation of Several Issues Relating to Application of Law to Trial of Cases of Civil Disputes over Trademarks *The similarity of trademark under Article 52 (1) of the Trademark Law shall mean that the allegedly infringing trademark, by comparison, is similar to the plaintiff's registered trademark in shape, pronunciation, meaning of words or the composition and colours of the device, or in global composition upon the combination of the various elements, or in the three-dimensional shape or the combination of colours, and is likely to cause the relevant sector of the public to confuse the source of goods or think the source of goods is related, in a particular way, to the plaintiff's registered trademark.*

Article 2, paragraphs two and three, of the Unfair Competition Law *"Unfair competition" mentioned in this Law refers to a business operator's acts violating the provisions of this Law, infringing the lawful rights and interests of another business operator and disrupting the socio-economic order. "A business operator" mentioned in this Law refers to a legal person or any other economic organization or individual engaged in commodities marketing or profit-making services provision (the "commodities" referred to hereinafter also includes such services).*

Article 5 of the Unfair Competition Law *A business operator shall not harm his competitors in market transactions by resorting to any of the following unfair means: (1) counterfeiting a registered trademark of another person; ...*

Reasoning

Regarding Shanghai Meizheng's arguments, the court held that,

1. Under the relevant provisions of the Trademark Law, the use by Shanghai Meizheng and Changshu Haoteba of "Monteque · Mayjane" or "MEIZHENG" and the petal device in respect of clothing they made and marketed constituted an infringement of Bonneterie Cevenole's "Monteque" and the "flower device" registered marks.

Under the relevant provisions of the Unfair Competition Law, since the Shanghai Meizheng and Bonneterie Cevenole were competitors in the same industry, the Shanghai Meizheng and Changshu Haoteba's direct use of the Hong Kong Mayjane's Chinese and English enterprise names ("Monteque Mayjane" (H.K.) Limited Monteque Mayjane (Hong Kong) Fashion Limited at their special stores, signboards, clothing and package bags) was sufficient to mislead the average consumers, and constituted unfair competition against Bonneterie Cevenole.

Accordingly, the first-instance court decided that their acts constituted trademark infringement and unfair competition. Since the two acts were not of the same nature, they should, of course, be regulated by the two laws.

2. The Shanghai Meizheng used the "Monteque Mayjane" or "MEIZHENG", rather than its registered mark "MEIZHENG". For that matter, the present case did not involve the dispute over whether its used "MEIZHENG" mark infringed Bonneterie Cevenole's registered mark or not, so it was not necessary for the TRAB to first adjudicate as to whether its registered mark constituted an infringement, or was registered in bad faith.

Holding

1. The acts of the Shanghai Meizheng constituted an infringement of Bonneterie Cevenole's registered marks and unfair competition.

2. This case did not involve the conflict between the registered mark "MEIZHENG" and Bonneterie Cevenole's registered mark as the Shanghai Meizheng did not use its registered mark "MEIZHENG" properly. Therefore, it was not necessary for the TRAB to first adjudicate the trademark dispute between them.