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Beijing Xiushui Street Garments Market Co., Ltd. v. French Chanel et al.

Citation: The Beijing Higher People's Court's Civil Judgment No. Gaominzhongzi 334/2006

Date of judgment: April 18, 2006

Procedural history

The French Chanel (Chanel) sued, in the Beijing No. 2 Intermediate People's Court, Huang Shanwang for infringement of its registered trademark right, alleging that the Beijing Xiushui Street Garments Market Co., Ltd. (Xiushui Street Corporation) was jointly and severally liable. In the first-instance judgment, it was held that Huang Shanwang and the Xiushui Street Corporation had jointly infringed Chanel's trademark right. The Xiushui Street Corporation appealed to the Beijing Higher People's Court.

Issue

Whether a landlord should be held jointly and severally liable for a tenant's infringement of trademark?

Facts

Chanel owned the registered "CHANEL" mark (No. 145865) used in goods in class 18, such as handbags and purses, and the registered device mark (No. 145863) in goods of leather, hide and artificial leather.

On February 23, 2005, Huang Shanwang concluded a contract with the Xiushui Street Corporation for leasing a vendor's stand to do business at the stand No. F2-26. It was agreed in the contract that the tenant was prohibited from dealing in fake and shoddy or other counterfeit goods and goods or

services expressly prohibited by the Chinese Government, otherwise, the Xiushui Street Corporation had the right to unilaterally terminate the contract. The Xiushui Street Corporation exercised the uniform management of the business operation of the market; it had the right to decide on the business hour, goods dealt in and scope of business, and to make business adjustment to meet the need of the market, and to supervise the tenants' business activities. The Xiushui Street Corporation was also obliged to keep the order in the market, and empowered to cease tenants' illegal acts and to report such acts to the relevant administrative agencies. In the contract was also specified RMB 100,000 yuan to be placed as the guarantee for the Xiushui Street Corporation or market administrative agencies to pay compensation, fine or other expenses that would be due to a third party or governmental administration or other organization caused by the tenants' illegal business operation.

From April 25 to May 8, 2005, Chanel bought a purse bearing the "CHANEL" mark and the device mark at Huang Shanwang's stand. On May 16 of the same year, Chanel sent a lawyer's letter to the Xiushui Street Corporation, informing the latter of the sale of goods infringing its exclusive right to use its registered mark in the market, and indicated therein the sellers' stands numbers, including Huang Shanwang's, and requesting the Xiushui Street Corporation to promptly take effective measures to cease the infringement. On June 3 of the same year, Chanel again bought a handbag bearing the "CHANEL" mark and the device mark at Huang Shanwang's stand.

On September 15, 2005, Chanel sued in the Beijing No. 2 Intermediate People's Court. On September 28 of the same year, the Xiushui Street Corporation terminated the contract with Huang Shanwang, and put on notice on the matter in the market. Later, it reported the matter to the relevant industry and commerce administrative department to have revoked Huang Shanwang's private industry and commerce business license. On September 29, the Xiushui Street Corporation asked again all the tenants to keep their promise not to sell counterfeit goods. On October 31 of the same year, Chanel, once more, bought purses bearing "CHANEL" representation at some other stands within the market.

In the first-instance judgment, it was held that Huang Shanwang's unauthorized selling of the handbags and purses bearing the "CHANEL" mark and the device mark infringed Chanel's exclu

sive right to use its registered marks, and that the Xiushui Street Corporation should be jointly and severally liable for the consequence of Huang Shanwang's infringement for it had facilitated Huang Shanwang to carry on the alleged infringement.

The Xiushui Street Corporation appealed, arguing that the Xiushui Street Corporation, as a business venue landlord, was not empowered, under the law, to investigate the infringement of another party's exclusive right to use a registered mark, nor was obliged to cease, in a timely and effective manner, the infringement of the exclusive right to use the registered marks happening in the market, and it could only perform its obligations under the contract; the Xiushui Street Corporation did not intentionally committed the infringement together with Huang Shanwang, nor facilitate him to carry on the alleged infringement.

Rule of law

Article 52 (5) of the Trademark Law *Any of the following acts shall be an infringement of the exclusive right to use a registered trademark: ...*

(5) causing, in other respects, prejudice to the exclusive right of another person to use a registered trademark.

Article 50 (2) of the Regulations for the Implementation of the Trademark Law *Any of the following acts shall constitute an infringement of the exclusive right to use a registered trademark referred to in Article 52 (5) of the Trademark Law:*

...

(2) intentionally providing facilities for storage, transport, mailing, concealing, etc. for the purpose of infringing another person's exclusive right to use a registered trademark.

Article 130 of the General Principles of the Civil Law *If two or more persons jointly infringe another person's rights and cause damages to him, they shall be held jointly and severally liable for the infringement.*

Reasoning

The Xiushui Street Corporation concluded the leasing contract with Huang Shanwang, provided

him the business venue, and charged and collected rent and the deposit of guarantee from the latter. Under the contract, the Xiushui Street Corporation, on the one hand, had the right to decide on the business hour, goods dealt in and scope of business, and to make business adjustment to meet the need of the market, and to supervise the tenants' business activities, and, on the other, the Xiushui Street Corporation was also obliged to keep the order in the market, and empowered to cease tenants' illegal acts and to report such acts to the relevant administrative agencies. The Xiushui Street Corporation, as the manager of the business operation of the market, should know that the acts of intentionally providing facilities for storage, transport, mailing and concealing for the purpose of infringing others' exclusive right to use registered marks constituted infringement of the exclusive right to use registered trademarks. Upon receipt of Chanel's lawyer's letter, it should have known that infringement was being committed of Chanel's exclusive right to use its registered marks in the market, so it was obliged to cease, in a timely and effective manner, the infringement of the exclusive right to use said registered marks in the market.

In the lawyers' letter to the Xiushui Street Corporation, Chanel indicated the stands where goods infringing its exclusive right to use a registered mark were sold, and requested the market to take active measures. But the Xiushui Street Corporation did not contact the lawyer on receiving the letter, nor adopt any effective measures to cease the alleged act of selling the goods infringing the exclusive right to use the registered marks; consequently, Huang Shanwang could keep on selling the goods infringing Chanel's exclusive right to use the registered marks in the following days. The Xiushui Street Corporation subjectively had the intention of the infringement together with Huang Shanwang, and objectively facilitated Huang Shanwang to carry on the alleged infringement.

Holding

The Xiushui Street Corporation should be held jointly and severally liable for Huang Shanwang's infringement of the trademarks in suit.