



The Trademark Litigation Review

2024

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The first edition of the WTR Trademark Litigation Review casts an expert eye on some of the most pressing issues facing those involved in litigation on both sides of the divide, blending analytic insight with on-the-ground expertise from the key regions of the Americas, the Asia-Pacific, and Europe, the Middle East and Africa.

Generated: July 17, 2024

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As the economic outlook continues to be precarious, it has never been more challenging for trademark counsel to explain and justify the costs of protecting brands to the C-suite. This goes double when litigation is involved, where outcomes are unpredictable and cases can last for years. However, when it comes to defending intangible assets, sometimes going to court is the only option. When this happens, trademark counsel need to rely on the right outside counsel to manage the litigation and obtain the best outcome for the business.

Patrick Flaherty, senior managing associate general counsel at Verizon, Mark Leonard, general counsel at Sunsweet and David Modzeleski, senior vice president and head of global intellectual property at Warner Bros Discovery, offer their perspectives on what they look for in external law firms and speak frankly about what private practice can do to make themselves better partners. They are joined by Danny Awdeh, partner at Finnegan, to discuss what each side can offer the other and what a successful partnership looks like.

WHAT ARE THE KEY THINGS THAT YOU LOOK FOR WHEN CHOOSING AN EXTERNAL LAW FIRM IN A LITIGATION MATTER?

Mark Leonard (ML): Ideally, they will have had experience with the opposing side or opposing counsel. That is huge. If not, familiarity with the judge also helps. Finally, just a really good knowledge of the subject matter.

A few years ago, we were defending a trademark infringement case and three different firms pitched to us. The one that we went with was the one that clearly demonstrated the most in-depth knowledge of the subject matter. It was sort of an odd case; it really read like a law school exam, there were so many issues. The attorney spotted all of those quickly and recognised that I had a trademark background so did not try to explain things to me in a very basic way. That is why we went with them and it was great, they did a fantastic job.

David Modzeleski (DM): Obviously, we start by looking for subject-matter expertise and knowledge of our business – who we are as a company and the media entertainment industry, in particular.

We look for prior experience that they may have in handling similar claims in the relevant court or jurisdiction; I also like to look for real specificity in terms of how they will staff the matter. It's super important to understand who exactly will be doing what on the case from the start.

I also look for clarity on budget and expected costs associated with any litigation matter and, probably most importantly, I look for a clearly defined strategy. It is crucial in the beginning to be aligned on what the approach will be and the desired outcome. We really look for our litigation firms to be proactive – not reactive – so that they are driving the case forward in a way that helps us best meet our litigation objectives.

Patrick Flaherty (PF): One of the big things that we look for in US outside counsel is diversity – by gender, race and sexual orientation. We have a diversity survey that we ask all of our outside counsel to complete. It's voluntary, but the information does help us keep track of our diversity goals every year.

This is a great way for us to be able to gauge where we are when it comes to who we are working with as outside counsel and determine how diverse that counsel is. We want to see diversity not just at the associate level, but the partner level too.

Danny Awdeh (DA): We have absolutely seen interest in diversity as a growing concern. Clients want their law firms to reflect who they are and it's up to us to provide them with a diverse group of attorneys to work with. Finnegan has placed a huge emphasis on diversity, and we are seeing that diversity is often at the top of the list of requirements from prospective clients. Even in a litigation matter, you need a team that's diverse and capable of providing a full range of perspectives.

I think it's also critical to understand the client's industry and what they are trying to achieve with their business. If we understand this, we can provide the best and most appropriate counsel, and look at contentious matters through a commercially orientated lens. If you are not sensitive to the disruption litigation can bring to a client's business, or if you are not fully aware of how things could play out relative to a client's business interests, then I think it's very difficult to navigate litigation effectively. For me, that is my number one priority. Of course, having a proven track record that gives the client confidence that you have successfully navigated these issues before and that you're giving practical advice based on experience is crucial.

WHEN IT COMES TO COMMENCING LITIGATION, WHAT MAKES FOR A SUCCESSFUL PARTNERSHIP – AND WHAT ARE SOME OF THE THINGS THAT MIGHT SOUR IT?

DM: An open, clear and succinct communication style is super critical. We are all extremely busy these days, so we don't have a lot of time to try to decipher what our external partners are trying to tell us. I am also really looking for what I would describe as 'commercially centred' advice and strategy. We're not just talking about legal concepts but how to apply them – we have to keep our eye on the fact that everything we are doing is for a commercial purpose. So, for example, if they want to talk to us about recent cases or new laws or legislation and how it may impact us in a particular matter, that's fine, but what is the commercial reasoning behind it?

I would also say a clear understanding of expectations and what we view as a successful result. It's a two-way street; we really need to communicate with our external partners as to what we view a successful result in a particular matter to be so that they can work from that, because it is not always clear cut.

ML: Certainly, you want to see efficiency and transparency. When I get my invoice for a litigation matter, I don't like to see that five attorneys have billed on the matter and I don't know four of them. One firm in particular does this very well; when commencing a new litigation matter, there is an intro call where they introduce me to everybody who's going to be on the team, and whether or not they are going to be billing. In some cases, associates will be working on a case but not actually billing. I think that's a really good approach.

One thing that would sour a relationship would be when a budget has been discussed and the firm blows through it without telling me and I only find out when I get my next invoice. If I have to repeatedly ask for updates on the matter, that's not a good sign, either.

PF: We want high-quality work at a reasonable price. We are not looking for the cheapest of the cheap. We also don't always use a fixed-fee arrangement.

HOW ARE BUDGET CONSTRAINTS HITTING THE APPETITE FOR TRADEMARK LITIGATION, ESPECIALLY IN THE CURRENT ENVIRONMENT?

DA: It depends on the nature of the litigation, what's involved, and how significant it is to the business. I do see sensitivities across all cases, but more so on the routine cases and less

so where the outcome can materially affect the company's bottom line. But at both ends of the spectrum, we strive to provide clients with as much certainty as possible as to what their fees will be and to communicate frequently about where we are on the budget relative to what is happening in the litigation. No client wants to be surprised by a bill, and we do our best to get well ahead of any anticipated changes to litigation budgets.

ML: I haven't noticed a particular shift in appetite, but in my space – food and beverage – if we are going to litigate a matter, it is because anything close to a counterfeit is a very, very serious offence, potentially even a health and safety issue.

More generally, everything is more expensive now, including litigation. So unless you have a really strong probability of success, I would say that maybe the appetite for litigation has waned a bit.

PF: When it's not in the United States or other countries where it's expensive to litigate like the United Kingdom, usually this isn't a problem for us. We have enough of a budget for enforcement that allows us to chase down infringement around the world. In some countries, litigation moves very slowly, almost at a glacial pace: you might have a lot of billing upfront in order to file the lawsuit, but as soon as the case starts, everything afterwards moves much more slowly. After that, the additional billing is incremental in nature.

DM: Budget is always a consideration. Legal departments, including IP litigation departments and IP departments, are cost centres so we need to be mindful of our spend and we need to spend our money wisely and smartly. That said, intellectual property, including brands, is extremely valuable and it's critical to protect it, so I think there will always be a need and a place for investing in litigation.

I would say, though, that there are ways to spend smartly and we partner with our firms to closely manage to a budget. We work with them on their rates on a timekeeper-by-timekeeper basis and on staffing decisions to try to drive value without sacrificing quality. We have a lot of discussions about what firms can offer us in terms of alternative billing arrangements. We are always thinking creatively about how we can best manage to a budget and spend as wisely as possible.

ARE THERE THINGS THAT LAW FIRM PARTNERS CAN DO TO HELP CLIENTS FORECAST AND MANAGE LITIGATION BUDGETS?

PF: Yes. If law firms are used to doing fixed-fee arrangements in litigation, that's an important thing to communicate to clients. Knowing that you have some guardrails around how much money you're going to spend makes it easier to decide when to move forward with litigation.

DM: I think the first thing that they should do – or we ask them to do – is to put the budget clearly in writing. After that, periodic and regular updates with regard to how the matter is tracking to the budget are super important.

Firms should also flag any overages that they might see, ideally before they happen. Litigation is dynamic in nature, and things are going to change. So, to the extent that we are getting off budget or going over in certain categories, knowing about that as soon as possible and ideally beforehand is key because that might well inform how we proceed.

Generally, experienced counsel should anticipate the unexpected and include that in the budget from the outset.

DA: I think it's necessary to have transparency and good communication at the outset and throughout the life of the litigation. We draw from extensive experience of litigating across federal courts all over the country with differing levels of complexity to inform how we budget and predict costs. However, every case is different – different adversaries, facts, complexities, judges, and endgames. It's virtually impossible to predict costs with absolute certainty, but it is possible to draw on experience and data to provide informed estimates that help clients manage budgets and control costs.

ML: I'd flag really efficient use of associates, and perhaps even paralegals. Especially at the beginning of a case before you get into discovery, the most senior partner does not need to be the one doing the drafting.

HOW WOULD YOU CHARACTERISE THE US LITIGATION LANDSCAPE RIGHT NOW FROM THE PERSPECTIVE OF BRAND OWNERS?

DM: There will always be a lot of litigation activity for brand owners in the United States, so long as brands and particularly trademarks are considered key IP assets. Given the importance of brands in the media entertainment space, not only associated with content but with other lines of business like consumer products for example, I think we are going to see a lot of enforcement activity, pre-litigation activity and full, actual litigation activity, given the amount of intellectual property that we own and the importance of protecting it. Intellectual property is, in many ways, the backbone of media and entertainment, both trademarks and the content.

PF: I would say that it's trademark friendly. There is one important trademark case that the US Supreme Court took on this year: the Jack Daniels case involving Bad Spaniels, the dog toy maker. We were closely monitoring this case as it relates to dilution claims involving famous/well-known marks and follows a series of other cases of a similar nature. We are glad to see how the Supreme Court decided the Jack Daniels case. The case has now been remanded, so we're watching and waiting to see what the lower court will do as it looks at the case on the grounds of likelihood of confusion and I'm hoping that the trademark owner will win. This lawsuit deals with the parody defence.

We have also been watching all of the litigation involving NFTs, such as the Birkin and Nike cases. These are of interest primarily because they relate to trademarks involving a new piece of technology. Seeing how brand owners can protect their marks has been interesting and it's been going pretty well for them so far, for Birkin and Nike in particular.

ML: It is so hard to generalise. It really depends on the court and the particular judge. Assuming you were in federal court, having a judge that has some familiarity with trademark law would be ideal. If not, if you have maybe a more basic case, you kind of roll the dice.

That is what I would be looking for in filing a new suit – from a jurisdictional perspective, you have probably got a lot of options, depending on the nature of the infringement, and I would try to get to a court that sees a fair amount of trademark infringement suits.

DA: Although it can be costly, the United States is a one of the best places to litigate trademark disputes. These cases are typically litigated in federal district courts where we have great judges nationwide. They're accustomed to seeing trademark cases with some regularity, so they're generally familiar with the issues. Novel trademark issues tend to hit our federal courts first and the resulting decisions (even if they are not dispositive) help brand owners better predict what the ultimate outcome might be and where the law is trending, which is

often far more difficult to do in other jurisdictions. Importantly, the United States is one of the world's most crucial commercial jurisdictions, so the remedies that are available to clients here are often more significant and/or meaningful than they might be elsewhere.

ON A PRACTICAL DAY-TO-DAY LEVEL, HOW DO YOU WORK WITH LAW FIRM PARTNERS TO DETERMINE THE BEST COURSE OF ACTION WHEN CONSIDERING LITIGATION?

PF: We usually make our own decisions about what we want to go after as infringement – we know what we don't like. We have a zero tolerance when it comes to infringement, especially when it involves anybody using the mark VERIZON, even for unrelated goods and services. It's a made-up word so it doesn't mean anything, but it's ours and we want to protect it.

DM: There are certainly instances when filing a claim is necessary and advisable, but we obviously look for ways to avoid full-blown litigation, particularly for more routine and less consequential matters. When working with our law firm partners, we start by evaluating the merits of our position – we clarify our goals and objectives with them for a particular matter. As part of that, we consider what the role of potential litigation might play. But no one really likes to be in prolonged litigation; we try to solve it the best that we can without resorting to litigation. It has its place, but it is in everyone's best interests to try to avoid it if possible, for a variety of reasons like cost and expediency.

DA: I tend to be very collaborative with our clients. I think it's important to do this, mainly to understand what the business is trying to achieve, but also to draw on their own experience within the company and as an attorney. In-house counsel are a huge asset, so we collaborate very closely with clients through them. Some enjoy being quite involved in the case, from reviewing pleadings and providing comments, which is great. Others choose to defer to their outside counsel, but I see great benefit in collaborating, no matter to what extent, with in-house counsel.

ML: Severity of infringement, probability of success and candidness are key factors for us. I have a firm that I use and they will not recommend filing an infringement suit unless they think that we have an 80% chance of success. It varies from firm to firm, but certainly be very upfront at the beginning about all of the strengths and weaknesses, saying: "Okay, we know that this is a clear-cut case of infringement, but the damages are likely to be negligible or very low. From a business standpoint, do we want to spend this money on going after this infringement matter knowing that the likelihood of getting a full recovery is limited?" I want to know that up front, and again, working as efficiently as possible and being responsive.

Canada: Winning Strategies for Litigating Before the Courts

[Dominique Hussey](#) and [Melissa Dimilta](#)

[Bennett Jones](#)

Summary

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IN SUMMARY

This chapter covers trademark litigation in Canada at a high level, including causes of action, remedies, evidence and defences.

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 2. Legislative framework and causes of action
 3. Litigation venue and formats
 4. Damages and disgorgement
 5. Evidencing the case
 6. Available defences
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REFERENCED IN THIS ARTICLE

1. Trademarks Act, RSC 1985, C T-13
 2. Competition Act, RSC 1985, C C-34
 3. Federal Courts Act, RSC 1985, C F-7
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INJUNCTIONS AT A GLANCE

Interlocutory injunctions are available but rarely granted in trademark cases. The test for an interlocutory injunction is as follows:

- there is a serious issue to be tried;
- the plaintiff will suffer irreparable harm if the injunction is not granted; and
- the balance of convenience rests with the plaintiff.

Most interlocutory injunction motions fail because of an inability to establish irreparable harm. Courts have interpreted this part of the test to require demonstration of harm that cannot be compensated by a pecuniary payment. Permanent injunctions are almost always granted after a full hearing and a finding of infringement.

Payment of a security or deposit is not necessary to secure an injunction. However, the plaintiff is required to give an undertaking as to damages, meaning that if it ultimately loses at trial, it may be forced to pay the damages incurred by the other party as a result of the injunction.

Registered trademark owners can file a request for assistance with the Canada Border Services Agency whereby the agency would detain suspected counterfeit goods at the border.

LEGISLATIVE FRAMEWORK AND CAUSES OF ACTION

Canada has a robust system of trademark enforcement with several available causes of action for an aggrieved owner.

The Trademarks Act provides for the registration of trademarks and the enforcement of registered and unregistered rights. Common law rights accrue to owners of unregistered trademarks used in Canada. Under common law, these rights are limited to the geographic area where the trademark has been used. Common law rights alone can be the foundation of what is sometimes informally referred to as an infringement claim, but is really the claim of passing off.

In addition to infringement and passing off, the Trademarks Act also permits a plaintiff to sue for:

- false and misleading statements that tend to discredit the business, goods or services of a competitor;
- descriptions of goods that are materially false and mislead the public as to their character, geographic origin or mode of manufacture; and
- with respect to a registered trademark only, depreciation of goodwill.

The Competition Act prohibits the promotion of a product through the making of a representation that is false or misleading in a material respect. This provision is typically asserted in conjunction with other causes of action under the Trademarks Act. There are Criminal Code provisions relating to the forgery of trademarks and counterfeiting. Breach of the Criminal Code is litigated in a criminal court and not in the context of a civil case.

Proceedings for trademark infringement, at least in the Federal Court, can proceed in one of two ways. The first is an action, which involves detailed pleadings, documentary and oral discovery, and a trial with live witnesses. This process can take about two to three years. Alternatively, a plaintiff may proceed by way of application. An application is a summary procedure that involves more limited pleadings, affidavit evidence, cross-examination and a hearing on a paper record. An application can proceed from the originating document to a final determination in less than a year, but with court-granted extensions it may take more than a year. In both types of proceedings, parties may seek a bifurcation order postponing the hearing or trial on damages until after the hearing or trial on liability.

INFRINGEMENT

To establish infringement of a registered trademark, the plaintiff must prove a likelihood of confusion. While the court may consider a wide range of factors in assessing this, resemblance in appearance, sound and idea suggested by the trademarks at issue is often the paramount consideration. In the absence of resemblance, confusion is unlikely.

DEPRECIATION OF GOODWILL

To establish depreciation of goodwill, the plaintiff essentially must prove that its registered trademark:

- was used by the defendant in connection with goods or services;
- is sufficiently well known to have significant goodwill attached to it; and
- was used in a manner that is likely to depreciate the value of goodwill in that trademark.

Each of these steps must be supported by evidence as opposed to inference.

PASSING OFF

To establish statutory passing off, the plaintiff must prove goodwill in the trademark at issue, misrepresentation (based on confusion) and actual damage. Again, each of these must be supported by evidence as opposed to inference.

LITIGATION VENUE AND FORMATS

Court System And Litigation Venues

Canada has two separate court systems:

- the Federal Court, a court of federal jurisdiction that sits across Canada and issues rulings with national effect; and
- provincial or territorial superior courts, the jurisdiction of which is limited to the individual provinces and territories of Canada in which the court sits.

The subject matter jurisdiction of the Federal Court is specific and conferred by the Federal Courts Act and other federal statutes, such as the Trademarks Act. By contrast, the provincial superior courts are courts of general jurisdiction.

The Federal Court and provincial superior courts have concurrent jurisdiction for most trademark disputes, including trademark infringement and passing off. Where a dispute is based on tortious activity, such as common law passing off that does not involve a trademark (eg, a business name), only the provincial superior courts have jurisdiction to hear the matter.

Forum Shopping

While the above-mentioned courts have concurrent jurisdiction for most trademark disputes, the Federal Court continues to hear most of these cases. The Federal Court's popularity is driven by its subject matter expertise, comprehensive remedies and national effect.

Only the Federal Court has jurisdiction to invalidate and expunge trademarks. Orders of the Court are made against the subject itself (ie, the trademark) and not just between the parties. The Court's jurisdiction extends to all provinces and territories. An order of a provincial superior court, by contrast, is enforceable only in that province. The benefit of the Federal Court's national jurisdiction is obvious in cases that involve infringing activities in more than one province. In these circumstances, commencing a single proceeding in the Federal Court is the more efficient way of obtaining injunctive and monetary relief against the infringer. Finally, the Federal Court process may benefit from longer limitation periods.

No Juries

Trademark disputes in Canada are heard before a judge without a jury. Juries do not exist in the Federal Court. Juries in the provincial superior courts are typically confined to criminal matters or limited types of civil disputes (eg, libel and personal injury matters).

ALTERNATIVE DISPUTE RESOLUTION

Alternative dispute resolution (ADR) procedures are available to resolve trademark disputes. Private mediation and arbitration services are offered throughout Canada and may be employed if the parties agree or if they are contractually bound to do so.

In some jurisdictions in Canada, ADR may be required before an action can proceed to trial. The Federal Court's Rules encourage mediation by requiring that the parties discuss and be prepared to discuss the possibility of referring unsettled issues to a dispute resolution conference within 60 days of the close of pleadings and at a mandatory pretrial conference that takes place before a judicial officer. Other resolution proceedings, such as a neutral evaluation of a case by a judge of the Court who is not seized of the matter, are also available from the Federal Court.

DAMAGES AND DISGORGEMENT

Damages

A successful plaintiff can elect between damages (its losses arising from the infringing sales) and an accounting and payment of the defendant's profits. Damages are available as of right and profits are an equitable remedy that may be refused at the court's discretion. Damages intend to put the plaintiff into the position it would have been but for the act of infringement. By contrast, an accounting of profits is not meant to compensate for injury but to remove the benefits the wrongdoer has made as a result of the infringement.

If a plaintiff can prove that it would have made the sales otherwise made by the infringer, it will likely be awarded its profit margin on those sales. Other circumstances may attract a reasonable royalty. In general, proving damage can be difficult in trademark litigation cases. This is especially true if the defendant refuses to participate in the litigation, which is common in counterfeiting cases. In such circumstances, the Federal Court has indicated that an award of nominal damages, multiplied per act of infringement, is reasonable and proper. The Court has been clear that difficulty in assessing damages does not mean that they will not be awarded.

Recently, the Supreme Court of Canada has confirmed that an accounting of profits requires an infringer to disgorge all the profits it made that are "causally attributable" to the infringement. An accounting of profits assessment requires the plaintiff to first prove the actual profits the infringer made by selling the infringing product and then the defendant to prove its expenses offsetting such gross profits.

Punitive damages may be awarded where an infringer's conduct is outrageous; a punitive award based on intentional infringement alone is rare. A successful plaintiff will be awarded part of its costs, which include both fees paid to lawyers and disbursements incurred.

Available Remedies

Interlocutory injunctions are rarely granted in trademark cases. The test for an interlocutory injunction is as follows:

- there is a serious issue to be tried;
- the plaintiff will suffer irreparable harm if the injunction is not granted; and
- the balance of convenience rests with the plaintiff.

Most interlocutory injunction motions fail because of an inability to establish irreparable harm. Courts have interpreted this part of the test to require demonstration of harm that cannot be compensated by a pecuniary payment. However, recent authorities suggest that the Federal Court may be more willing to grant interlocutory injunctions and relax the

threshold for satisfying the irreparable harm prong of the test compared to past applications of the test.

Permanent injunctions are almost always granted after a full hearing and a finding of infringement.

An order compelling the defendant to deliver up all infringing merchandise to the plaintiff will generally be granted as a matter of course. The court also has the discretion to order that equipment used to produce the infringing goods, packaging, labels or advertising material be destroyed.

EVIDENCING THE CASE

Investigations And First Steps

Investigations, such as trademark use and marketplace investigations, are important in Canadian trademark disputes for three reasons:

- Canada is a first-to-use jurisdiction;
- use is necessary for maintaining and enforcing trademark rights; and
- uses of similar trademarks by third parties, or a lack thereof, can weaken or strengthen a brand owner's case.

While use is not required to obtain trademark registration, Canada remains a first-to-use jurisdiction. Therefore, to determine rights, it is critical to any trademark dispute to assess the first use dates and scope of use of each party. Marketplace use investigations are even more critical now because trademark applications no longer disclose information on the use status of a particular mark. Trademark use is central to the maintenance and enforcement of rights in Canada.

Third-party uses of similar marks in the marketplace can narrow the ambit of protection of a brand owner's mark. Therefore, it is important for brand owners to conduct routine market investigations to monitor and police third-party uses. This is no less important before commencing litigation against a potential infringer, because asserting a weak mark in aggressive litigation may result in counterattacks and unfavourable decisions for future enforcement efforts. Investigations should be conducted before and during litigation.

Survey Evidence

Litigants in trademark disputes need not expend extensive resources to file consumer survey evidence on the issue of confusion. The Supreme Court of Canada has stated that survey and expert evidence should be admitted sparingly and only when it is beyond the experience of the court to decide on issues of confusion. This means that a brand owner now may encounter fewer economic obstacles before pursuing infringers than they once did.

Use Of Expert Witnesses

Expert evidence may be tendered in trademark proceedings involving registrability issues (eg, opposition and expungement proceedings). When assessing the suitability of potential expert witnesses, it is important to ascertain that they had the relevant expertise at the relevant date.

AVAILABLE DEFENCES

Liability

The plaintiff bears the burden of proving infringement, passing off and depreciation of goodwill on a balance of probabilities. A defendant can therefore defend, in each case, against each cause of action on the basis either that the plaintiff has not met its burden of proof or that the defendant has marshalled sufficient evidence to the contrary. Where the plaintiff fails to meet its burden on any part of the tests applied to passing off or depreciation of goodwill, the defendant will prevail.

In infringement and passing-off actions, the most common defence is absence of a likelihood of confusion. In infringement proceedings, provided that the use in question does not depreciate the goodwill attached to the registrant's marks, use of a personal name as a trade name and use of the geographical name of a place of business or of any accurate description of the character or quality of goods or services are also defences, as is mere use of a utilitarian feature embodied in a trademark.

A defendant can also defeat allegations of trademark infringement, passing off and depreciation of goodwill by alleging, by way of defence or in a counterclaim, that the asserted trademark is invalid or void ab initio. The burden of proving invalidity on a balance of probabilities rests with the defendant. A defendant can defeat a passing-off case involving an unregistered sign by proving that the sign in question is not a trademark or that the plaintiff has not established goodwill in the trademark.

Broadly, a trademark registration can be invalidated if:

- the trademark was never registrable;
- the trademark has lost distinctiveness;
- the trademark was abandoned intentionally;
- the applicant was not entitled to register the trademark;
- there was a material misrepresentation in the prosecution of the trademark; or
- the application was filed in bad faith.

Damages

The Federal Court of Appeal recently has affirmed that owning a trademark registration is an absolute defence to a requirement to pay damages or disgorge profits during the period of registration. This defence stands even if the registration is later invalidated, unless it was void ab initio.

In addition to defences on liability, therefore, a defendant may have recourse to a defence against owing damages where the infringing activities involve a defendant's use of its own registered, but infringing, trademark.

Appeals Process

All decisions of the registrar of trademarks may be appealed, as of right, to the Federal Court within two months of the date on which the decision was dispatched. These decisions include refusals to register a trademark, cancellation of a trademark and decisions in opposition proceedings (including the decision not to reject an opposition where it did not raise a substantial issue for decision).

The appeal is effected by filing a notice of application with the registrar of the Federal Court. On appeal, additional evidence may be filed without leave and the court may substitute its decision for the registrar's decision, without deference, if the new evidence is materially different from that before the registrar. If no new evidence is filed, the appeal is not a new hearing, as the original record before the registrar remains the record before the court. The decision will be set aside if it is demonstrably unreasonable.

An appeal from an action or application heard by the Federal Court of Canada, at first instance or otherwise, is appealable as of right to the Federal Court of Appeal. The appellant must file, within 30 days of the pronouncement of judgment or determination appealed from, a notice of appeal setting out the grounds of appeal. Only with leave and in rare instances may additional evidence be filed on appeal. On issues of law, the Federal Court is not entitled to deference. The Federal Court of Appeal can overturn a finding of fact only if the Federal Court judge made a palpable and overriding error with respect to that finding.

With leave, the losing party can appeal an order of the Federal Court of Appeal to the Supreme Court of Canada, but only on issues of national importance.



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United States: Last 12 Months See New Court Precedents and Fresh Ways to Challenge Existing Registrations

Lauren Gregory Leipold and Kenneth L Wilton

Seyfarth Shaw LLP

Summary

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IN SUMMARY

This chapter provides an overview of key developments in trademark litigation in the United States over the past year. It addresses new legal precedents set by the US Supreme Court, federal trial and appellate courts, and the US Patent and Trademark Office's Trademark Trial and Appeal Board. It also provides guidance and takeaways from the first wave of decisions interpreting the 2020 Trademark Modernization Act's expungement and re-examination procedures.

DISCUSSION POINTS

- First Amendment defence and extraterritorial application of US trademark law
- Scope of trademark protection for virtual goods and burden of proof for 'crowded field' defences
- Importance of complying with formalities in USPTO forms
- Defences based on deficiencies in asserted trademark registrations
- Unique cancellation remedy available under the Pan American Convention
- Best practices in expungement and re-examination proceedings

REFERENCED IN THIS ARTICLE

- *Jack Daniel's Properties, Inc v VIP Prods LLC*
- *Abitron Austria GmbH et al v Hetronic Int'l, Inc*
- *Hermès Int'l and Hermès of Paris, Inc v Rothschild*
- *Spireon, Inc v Flex Ltd*

INJUNCTIONS AT A GLANCE

Preliminary injunctions – are they available, how can they be obtained?	Available upon motion in court. Movant enjoys statutory presumption of irreparable harm upon showing likelihood of success on the merits.
Permanent injunctions – are they available, how can they be obtained?	Available after prevailing on the merits in court. Movant enjoys statutory presumption of irreparable harm upon a finding of infringement.
Is payment of a security/deposit necessary to secure an injunction?	Security is required by rule to perfect a preliminary injunction, but the amount is discretionary. Security is not needed for a permanent injunction.
What border measures are available to back up injunctions?	Registered trademarks can be recorded with US Customs and Border Protection, a federal agency that will seize, detain and ultimately destroy infringing and

counterfeit goods intended for entry into the United States.

INTRODUCTION

Litigation regarding trademark rights in the United States typically occurs in federal courts or at the Trademark Trial and Appeal Board (TTAB) of the US Patent and Trademark Office (USPTO). While the TTAB only has jurisdiction over disputes regarding federal registration, courts are authorised to address both registration and use in commerce. Meanwhile, pursuant to the 2020 Trademark Modernization Act, it is possible to petition the USPTO to re-examine existing registrations based on allegations of non-use. Recent decisions in all of these fora shed light on the scope of litigants' rights under the US Trademark Act (15 USC §§ 1051 et seq., colloquially known as the Lanham Act), which governs federal trademark rights in the United States. In addition, these tribunals have clarified some of the more obscure procedural niceties of which litigants should be aware before initiating proceedings.

GUIDANCE FROM US SUPREME COURT

Free Speech Rights Do Not Always Trump Trademark Rights

In the United States, trademark infringement defendants can assert that their use of another's trademark is protected as free speech under the First Amendment to the US Constitution. While not universally applicable, this defence often arises when a mark is used in an artistic work. In such cases, the defendant argues that its use was merely creative expression and not for commercial purposes.

The US Supreme Court recently made it more difficult for defendants to prevail on First Amendment grounds. In *Jack Daniel's Properties Inc v VIP Prods, Inc*, the Court unanimously rejected an appellate court's opinion that a dog toy mimicking a bottle of JACK DANIEL'S-branded whiskey should be protected as a parody under the First Amendment, finding that the right to free expression does not excuse "trademark law's cardinal sin" – that is, the use of another's trademark "as a trademark".

At issue was application of the so-called Rogers test, which evolved out of the 1989 decision in *Rogers v Grimaldi*. Unlike the traditional multi-factor test for likely confusion, the Rogers test weighs just two factors: (1) the accused work's artistic relevance; and (2) whether use of the other party's mark "explicitly misleads as to the source or the content of the work".

The Court held that Rogers does not apply "when an alleged infringer uses a trademark in the way the Lanham Act most cares about: as a designation of source for the infringer's own goods". It returned the case to the district court to evaluate infringement under the proper standard.

After *Jack Daniel's*, lower courts are less likely to apply the Rogers test, so limiting the First Amendment defence.

US Trademark Law Does Not Govern Infringement Occurring Abroad

The US Supreme Court has restricted application of the Lanham Act to cases involving infringing activity occurring within the United States. Previously, lower courts had interpreted the statute as authorising injunctive relief and damage awards related to any activity that had a 'substantial effect' on US commerce, even if that activity had occurred entirely abroad.

This issue arose in *Abitron Austria GmbH et al v Hetronic Int'l, Inc*, after the US-based manufacturer Hetronic sued its former EU distributor for infringing trademarks and trade dress associated with authentic Hetronic products. Even though 97% of Abitron's sales occurred outside the United States, a jury awarded Hetronic more than \$115 million in damages, \$96 million of which related to Lanham Act violations mostly arising from non-US sales, and the district court granted Hetronic a worldwide injunction against Abitron. On appeal, the appellate court tailored the injunction to apply only to markets where Hetronic was actually selling products but upheld the damages award, reasoning that even activity occurring abroad had a 'substantial effect' on US commerce.

At oral argument, the parties presented various interpretations of the Supreme Court's 1952 decision in *Steele v Bulova Watch Co*, the original pronouncement on the Lanham Act's "sweeping reach" into other geographic territories. The Court's majority opinion ultimately sidestepped *Steele* altogether, relying instead on a "longstanding principle of American law" referred to as the "presumption against extraterritoriality". The Court found that the Lanham Act was not meant to be applied extraterritorially and could only properly be applied to govern infringing activity that occurred through use of a mark in commerce in the United States. Future cases will map out what specific types of use in commerce are actionable under the statute.

In the wake of *Abitron*, US-based litigants can no longer rely on US trademark rights to obtain relief against foreign defendants unless those defendants are using infringing marks in the United States. Because trademark owners will be forced to take a piecemeal approach to enforcement, jurisdiction by jurisdiction, they should evaluate and ensure that they have proper protection in all relevant jurisdictions worldwide.

GUIDANCE FROM LOWER COURTS

Trademarks For Physical Goods Sufficient To Enforce In Virtual Environments

A battle over unauthorised use of the BIRKIN trademark and trade dress in the design of Hermès International's famed BIRKIN handbag has garnered attention as one of the first cases to address the application of US trademark law in digital environments. Hermès, asserting registrations associated with its physical handbags, was able to obtain more than \$130,000 in damages and a permanent injunction against the artist Mason Rothschild to stop him from selling digital images of 'Metabirkins' authenticated by non-fungible tokens (NFTs).

Rothschild argued that his 'Metabirkins' should be protected as artistic expression under the First Amendment of the US Constitution. As such, Rothschild asserted that the court should apply the *Rogers* test rather than the traditional, more stringent likelihood of confusion factors applicable in most infringement cases.

The district court agreed, but even under *Rogers*, a jury found Rothschild liable for trademark infringement, dilution and cybersquatting. Rothschild is appealing, although he himself has admitted that the distinction between real-life goods and virtual versions is "getting a little bit blurred now because we have this new outlet, which is the metaverse, to showcase . . . them in our virtual worlds, and even just show them online". In other words, consumers recognise that many big-name brands are entering the virtual goods market, so in many cases brand owners may be able to rely on their rights vis-à-vis physical goods to prove confusion with virtual counterparts.

Opposer Has Burden To Refute Conceptual Weakness Defence

The Federal Circuit has decided that in TTAB proceedings where the strength of an opposer's mark is in question based on third-party marks cited by the applicant/defendant, the opposer – not the applicant that raised the issue – has the burden of proving those third-party marks are not actually in use.

The applicant in *Spireon, Inc v Flex Ltd* sought to defend against an opposition to registration of the mark FL FLEX by arguing that the opposer's cited marks FLEX, FLEX & Design, and FLEX PULSE were conceptually weak based on 30 third-party registrations and applications for other FLEX-formative marks. The applicant relied on Federal Circuit precedent establishing that "extensive evidence of third-party use and registrations is 'powerful on its face'" to show that consumers have been accustomed to distinguishing between marks containing a common element. In the face of such third-party evidence, an opposer's mark can be considered conceptually weak and thus not entitled to a wide swath of protection. However, the cited third-party marks must be in use to support a finding that consumers actually encounter them in the marketplace.

The Federal Circuit held that once the applicant introduced evidence of third-party registrations to demonstrate weakness, it was the opposer's burden to show non-use of those marks. The court declined to address "the broader question of which party bears the burden of establishing non-use as a general matter". However, the decision provides clear guidance on the burden of proof regarding the so-called "crowded field" defence in opposition and cancellation proceedings before the TTAB.

Importance Of The 'Domestic Representative' Field In US Trademark Applications

The USPTO provides non-US domiciled trademark applicants with an easy to overlook option to designate a 'Domestic Representative', as pictured below:

Figure 1

Trademark/Service Mark Application, Principal Register

TEAS Plus Application (Version 8.1)

Tip: If you do not want to appoint an attorney at this time:

1. Return to the first page of this form by clicking on the hyperlinked term, "Instruction," in the Navigation History at the top of this page;
2. Answer "No" to the wizard question asking "Is an attorney filing this application?";
3. Click on the Continue button at the bottom of the Instruction page to resume the form. The Attorney Information page will not appear.

Check here to designate a Domestic Representative. This is applicable only to foreign-domiciled applicant owners/holders with an address outside the United States, and is optional. Once checked, a separate section of the form will appear to enter the Domestic Representative information.

Attorney Information	
* <u>Attorney Name</u>	<input style="width: 100%;" type="text"/>
<u>Individual Attorney Docket/Reference Number</u>	<input style="width: 100%;" type="text"/> <small>NOTE: You must limit your entry here to no more than 12 characters.</small>
	* Year of Admission <input type="text" value="Select Year"/> ▼
	* U.S. State/Commonwealth/Territory <input type="text" value="Select State"/> ▼

Source: USPTO

The form does not explain that, pursuant to 15 USC § 1051(e), the Domestic Representative is the appointed recipient of “notices or process in proceedings affecting the mark”, including service of process in a federal lawsuit. If no such representative is appointed, papers can be served on the applicant by serving the Director of the USPTO, who will then send the papers to the applicant’s address of record. In that case, the applicant might find itself party to litigation without actually having been personally served, as typically required under federal procedural rules.

This scenario played out in *San Antonio Winery, Inc v Jianxing Micarose Trade Co* with severe consequences. The court held that 15 USC § 1051(e) applied to service of process in court proceedings as well as USPTO proceedings, and thus the Director’s mailing of the complaint constituted sufficient service – even if the applicant did not have actual notice of the proceeding. The court further held that the statute does not conflict with the Hague Service Convention because the papers were served domestically and not in another country. Following the decision, the district court entered default against the applicant and a permanent injunction.

The same rule applied in *Equibal, Inc v 365 Sun LLC*, where a foreign applicant had designated US attorneys as counsel in connection with its application, but had not checked the box to formally appoint them as Domestic Representatives for the purpose of service. When the attorneys said they were not authorised to accept service of court papers, the plaintiff served the Director of the USPTO. The court found that such service did not conflict with either the Hague Convention or the Inter-American Convention, further illustrating the importance of the 'Domestic Representative' field in US trademark applications.

GUIDANCE FROM THE TTAB

Importance Of ESTTA Cover Sheets In Oppositions To Madrid Protocol Applications

In *Sterling Computers Corp v IBM Corp*, IBM sought to extend its French registrations of STERLING and IBM STERLING to the United States pursuant to the Madrid Protocol. Sterling opposed based on the likelihood of confusion with prior-used marks. Its notice of opposition cited pending use-based applications for STERLING and STERLING & Design, common law rights in those marks, and common law rights in STERLING COMPUTERS. However, when completing the cover sheet form for filing through the TTAB's Electronic System for Trademark Trials and Appeals (ESTTA), Sterling listed common law rights in STERLING COMPUTERS and the two applications, but not its common law rights in the two applied-for marks.

ESTTA cover sheets include fillable boxes for the identification of the applications, registrations and common law rights asserted. Although many opposers view the form as a ministerial formality, Sterling highlights the fact that an ESTTA cover sheet plays a very important role in Madrid Protocol proceedings. When a US opposition is reported to the International Bureau, it is the ESTTA cover sheet that is sent to the Bureau, not the underlying notice of opposition. Because the Madrid Protocol prohibits the amendment of an opposition to include rights or claims not asserted in the original filing, an opposer's claims are limited to those found on the first-filed ESTTA cover sheet.

After the TTAB allowed Sterling to file an amended pleading to clarify its original allegations, IBM argued that Sterling should not be allowed to include its common law rights in STERLING and STERLING & Design in its amended pleading, because those rights were not expressly listed on Sterling's original cover sheet. But the Board concluded that listing use-based applications (as opposed to intent-to-use applications) for the marks in question provided sufficient notice of reliance on the common law rights underlying those applications. In other cases, however, litigants may not be as fortunate. Therefore, it is important to pay close attention to both the substance of a notice of opposition as well as the ESTTA cover sheet in Madrid Protocol proceedings.

Failure To Launch Affirmative Attack On Cited Registrations May Result In Waiver Of Key Defences

A defendant in a TTAB proceeding cannot defend itself based on alleged defects in an asserted application or registration without affirmatively opposing the application or seeking to cancel the registration. The applicant in *Nkanginieme v Appleton* learnt this the hard way. The owner of a registration for NNENNA LOVETTE for "Product design and development in the field of . . . handbags" challenged an application to register LOVETTE for handbags. The opposer had waited to file its application for NNENNA LOVETTE until five months after the opposed application was filed, and just two weeks prior to initiating the opposition

proceeding. The application matured to registration 14 months later, while the proceeding was pending.

The applicant argued that it had priority over the registrant based on its prior use and filing date, but the Board disagreed. The Board took the language of Section 2(d) of the Lanham Act at face value, concluding that where “a mark registered in the Patent and Trademark Office” is asserted in support of an opposition, there is no issue as to priority. If the applicant had wanted to challenge priority, it should have either opposed the NNENNA LOVETTE application or counterclaimed for cancellation. The Board held further that an applicant could avoid admitting likely confusion by alleging that:

there is no likelihood of confusion between the marks such that the opposition should be dismissed, or that if there is a likelihood of confusion that Applicant has actual priority and so Opposer’s registration must fail.

In other words, a defendant can attack an asserted registration without conceding confusion. Failure to do so may waive questions of priority.

Pan American Convention Supports Cancellation Based On Rights Obtained Abroad

Parties domiciled in the contracting countries of the 1929 Pan American Convention (Convention) – Columbia, Cuba, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Peru and the United States – have a unique remedy available to them. Mark owners can challenge registration in one country based on prior rights in another of those countries.

The TTAB’s decision in *Empresa Cubana v General Cigar Co* highlights this unique procedure. In this case, Cubatabaco successfully cancelled General Cigar’s two registrations of COHIBA in the United States based on Article 8 of the Convention. Article 8 applies in cases where an application to register a mark in a contracting country is refused on the basis of a prior registration in that country. The applicant may seek to cancel the blocking registration using a prior registration obtained in another contracting country if either: (1) the owner of the blocking registration had knowledge of the petitioner’s prior use or registration in another contracting country; or (2) the petitioner has used its mark in the country in which it seeks cancellation.

Cubatabaco had previously registered its COHIBA mark in Cuba. The USPTO refused its applications based on General Cigar’s existing US registrations. But Cubatabaco prevailed on a petition to cancel General Cigar’s blocking registrations. It demonstrated, through General Cigar’s own records, that General Cigar was aware of Cubatabaco’s mark prior to filing its first application to register COHIBA in the United States and presented evidence from which that knowledge could be inferred. General Cigar has appealed. Nonetheless, the *Empresa Cubana* case serves as an important reminder of remedies available to trademark owners in contracting Convention countries.

Best Practices In Expungement And Re-examination Proceedings

The Trademark Modernization Act of 2020 created two new procedures to challenge existing trademark registrations based on non-use: expungement (15 USC § 1066a) and re-examination (15 USC § 1066b). By the end of 2023, almost 2,000 petitions to revisit ex parte examination of registered marks had been filed, but fewer than 5% resulted in either partial or complete cancellation. Each petition is reviewed prior to a proceeding being

instituted, and many petitions are rejected as inadequate. While certain deficiencies might be curable, final rejections are not appealable.

To avoid rejection, petitioners should first ensure that they meet the relevant timing standards. Expungement petitions may be filed against registrations based on use, non-US registrations or the Madrid Protocol. They must be filed between the third and 10th years of registration if a mark is alleged to have never been used in interstate commerce.^[1] Meanwhile, re-examination petitions may be filed up to five years after registration if a mark was not used as of the filing date of a use-based application or, in the case of an intent-to-use application, as of the date an amendment to allege use was filed or the end of the period in which a statement of use was filed.

Petitions must be supported by a verified statement outlining the nature and scope of petitioner's search – either by petitioner or a third-party investigator – for use of the specific mark for the identified goods or services during the relevant period. Because such investigations must be tailored to the sales channels for the goods or services at issue, petitions have been rejected when based solely on searches of only one search engine, or investigations of just the largest online sales platforms.

The verified statement should be supplemented with clear, legible evidence of non-use. Potential sources of probative evidence are set forth in 37 CFR § 2.91(d)(2). These include but are not limited to trademark records, website printouts, filings from regulatory agencies, prior litigation filings, falsified specimens and/or other evidence of the registrant's activities (or lack thereof) in the marketplace. Each practitioner has a duty of candour (37 CFR § 11.303(d)) that requires the disclosure of evidence undercutting a petition.

Following these best practices will reduce the likelihood of rejection by the USPTO and increase the chances of a successful petition for expungement or re-examination.

Endnotes

- 1 Until 27 December 2023, the 10th-year limitation does not apply, and expungement may be requested for any registration at least three years old. [^ Back to section](#)



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Australia: Courts Clarify Key Components of National Trademark law

Katrina Crooks and Stuart Hughes

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Summary

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IN SUMMARY

In the past year, there have been a number of important Australian trademark decisions that have clarified important areas of trademark law for practitioners.

DISCUSSION POINTS

- High Court's clarification of the relevance of the reputation of a trademark when determining infringement
- High Court and Federal Court's continued consideration of what constitutes use as a trademark
- Guidance of the Full Court of the Federal Court on the relevance of Nice Classifications when considering the scope of a trademark registration.

REFERENCED IN THIS ARTICLE

- *Self Care IP Holdings Pty Ltd & Anor v Allergan Australia Pty Ltd & Anor*
- *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd*
- *Energy Beverages LLC v Cantarella Bros Pty Ltd*

Injunctions At A Glance

Preliminary injunctions – are they available, how can they be obtained?	The court can order an interlocutory injunction (similar to a US preliminary injunction) early in a proceeding. It considers whether the applicant has established a prima facie case of infringement and the balance of convenience.
Permanent injunctions – are they available, how can they be obtained?	A permanent injunction will usually be granted if infringement is found of a valid claim at trial. Although the court does not generally consider the balance of convenience, the granting of a permanent injunction is subject to the court's discretion.
Is payment of a security/deposit necessary to secure an injunction?	An applicant seeking an interlocutory injunction must agree to compensate any party adversely affected by the interlocutory injunction if it is later determined that no valid claim of a patent has been infringed. This undertaking may need to be secured by a payment to court. No undertaking or security is required for a permanent injunction.
What border measures are available to back up injunctions?	Australia does not have any customs or other border protection mechanisms for enforcing injunctions or detecting

infringements of patent rights. Australia does have a customs notification and seizure regime for registered trademarks and copyright works.

RELEVANCE OF THE REPUTATION OF A TRADEMARK IN DETERMINING INFRINGEMENT

In March 2023, the High Court of Australia (the most senior court in Australia), handed down its decision in *Self Care IP Holdings Pty Ltd & Anor v Allergan Australia Pty Ltd & Anor (Self Care)*.^[1] The decision was important as it clarified the extent to which the reputation of a trademark is relevant, when determining deceptive similarity under the Trade Marks Act 1995 (Cth) (TMA).^[2] In circumstances where infringement of a registered trademark is alleged in respect of a non-identical trademark, the registered trademark owner must show that the other trademark is deceptively similar to the registered mark.

The proceedings were brought by Allergan, which is the manufacturer and owner of the famous BOTOX cosmetic injection product and brand. Allergan owns numerous Australian trademark registrations for 'BOTOX'.

Allergan commenced trademark infringement proceedings against Self Care, a company that sold various anti-wrinkle products under the names 'PROTOX' and 'FREEZEFRAME'.

One of the issues in the case was whether the trademark 'PROTOX' was deceptively similar to the trademark 'BOTOX'. The primary judge in the Federal Court of Australia found that the 'BOTOX' trademark had a 'ubiquitous reputation', and as such consumers were unlikely to have an imperfect recollection of the 'BOTOX' mark and would not confuse the 'PROTOX' mark with it. On appeal, the Full Court of the Federal Court of Australia (the Full Federal Court) overturned the decision, finding that while consumers may not confuse the trademarks, the significant reputation of the 'BOTOX' trademark for injectable treatments may cause consumers to wonder, when seeing an anti-wrinkle product under the trademark 'PROTOX', whether it was made by the same company as the former.

On final appeal, the High Court reversed the Full Federal Court decision, and found that the reputation of BOTOX was irrelevant to whether the two trademarks were deceptively similar. The High Court found that the correct test for deceptive similarity is to:^[3]

compare the impression (allowing for imperfect recollection) that the notional buyer would have of the registered mark (as notionally used on all of the goods covered by the registration), with the impression that the notional buyer would have of the alleged infringer's mark (as actually used).

In support of this finding, the High Court noted that the reputation of a trademark is expressly relevant to a number of provisions of the TMA, but is not referenced in the infringement provisions. In addition, the Court noted that it was important that a person can inspect the publicly available Register of Trademarks, and determine based solely on it the scope of monopoly of any registration. The Court also noted that if reputation were to be considered relevant to a finding of infringement, it would complicate straightforward legal tests in infringement actions.

Based on this, the High Court disregarded the reputation of the 'BOTOX' trademark in Australia and considered solely whether the trademark 'PROTOX' as used by Self Care was deceptively similar to the notional trademark 'BOTOX'. The Court found that the words were

sufficiently different and that a notional buyer with an imperfect recollection would not confuse the two marks.

This decision was important as it confirmed that the reputation of a registered trademark is irrelevant to trademark infringement under sections 120(1) and 120(2) of the TMA. This will have a number of implications for brand owners and infringement proceedings. The reputation of a trademark registration has, for some time, been somewhat of a double-edged sword for trademark owners. Some have sought to rely on the fame of their trademark in an effort to extend the monopoly of their trademark to a broader range of goods or services, and to bolster claims of infringement against similar trademarks. On the other hand, some owners of famous trademarks have faced uncertainty as to whether they could ever demonstrate that a similar mark was deceptively similar when it was highly unlikely that a consumer would be confused by the similar mark having regard to the fame of the registration. This decision confirms that the fame of a registration is irrelevant, and that the scope of monopoly of a trademark registration must be determined simply by looking at the Register of Trademarks.

USE OF A TRADEMARK

What constitutes use as a trademark is a concept that has important implications for a number of aspects of the TMA and trademark practice, including, importantly, a party's ability to register a trademark and maintain the registration and the circumstances in which use of a sign can constitute trademark infringement.

Despite being a seemingly straightforward issue, historically the question of whether a sign has been used as a trademark or which trademark has been used, or both, has given rise to numerous questions for the court. This is reflected in a series of cases before the courts in the past year.

One such case was *Self Care*, in which a second claim made by Allegan related to *Self Care*'s use of the phrase 'instant Botox® alternative' (the Botox Phrase) on its various wrinkle treatment products. An example of one variation of *Self Care*'s packaging displaying the Botox Phrase is shown in Figure 1.

Figure 1



Allergan alleged that the Botox Phrase constituted use of a phrase as a trademark, which is a requirement for establishing trademark infringement, and that the trademark was deceptively similar to Allergan's various 'BOTOX' trademark registrations.

The primary judge in the Federal Court rejected Allergan's argument, finding that the use of the Botox Phrase did not constitute use as a trademark. However, on appeal, the Full Federal Court reversed the finding. The Full Federal Court's rationale for finding use as a trademark was that Self Care's use of the Botox Phrase 'implied an association in the trade source of the different products' and 'was being used to denote some trade source connection with [Allergan's products]'.⁴

Self Care also appealed this aspect of the Full Federal Court's decision to the High Court. In its judgment, the High Court placed emphasis on the nature of a trademark to consider what would constitute use as a trademark. It noted that a trademark is a sign used to distinguish goods dealt with by one trader from goods dealt with by other traders (ie, a badge of origin to indicate a connection between the goods and the party that applied the trademark). In addition, it confirmed that:

- whether a sign has been used as a trademark is assessed objectively and without reference to the subjective trading intentions of the user;
- the objective purpose and nature of use are assessed by reference to context; and
- the context includes the relevant trade, the way in which the words have been displayed, and how the words would present themselves to persons who read them and form a view about what they connote.

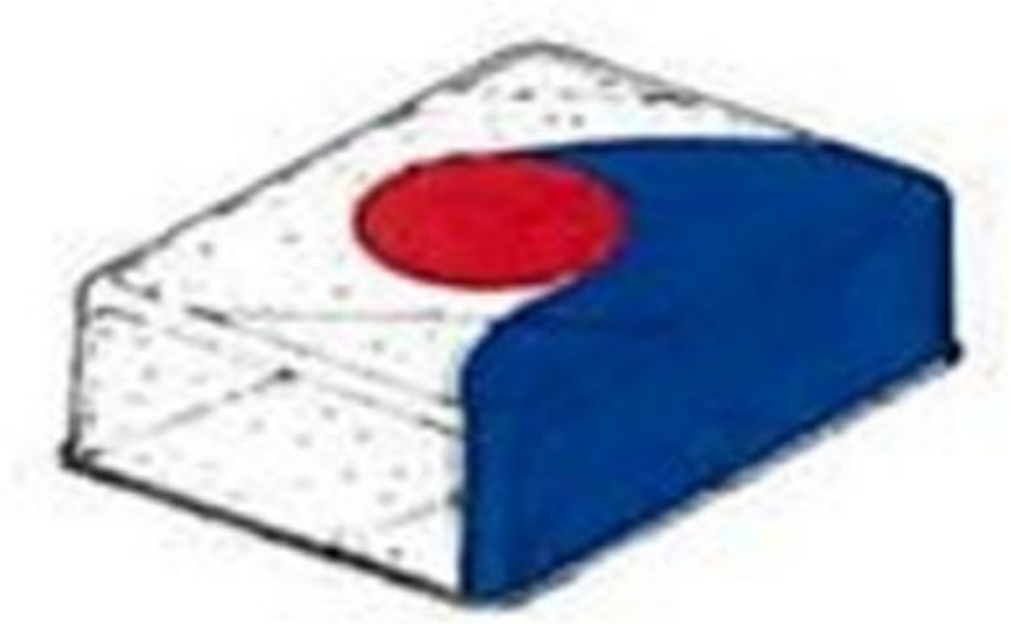
In Self Care, three aspects of the context in which Self Care had used the Botox Phrase supported a conclusion that there was no trademark use:

- It was used inconsistently in terms of size, font and presentation on Self Care's products and website, meaning that it was less likely to be perceived as a badge of origin by consumers.
- It was always used alongside two clear badges of origin: the umbrella brand 'FREEZEFRAME' and the product name 'INHIBOX', both of which were distinctive and stylised signs that were likely to be perceived as brands by consumers. The presence of these prominent brands diminished the likelihood that a consumer would understand the Botox Phrase to operate as a brand or a trademark.
- It described a feature of the product – that is, that it was a wrinkle treatment that was an alternative to Allergan's BOTOX product. Although the Court noted that a sign can be both descriptive and serve as a badge of origin, in this instance, it found that the Botox Phrase was only being used descriptively.

Based on these matters, the High Court found that the phrase had not been used as a trademark, resulting in the Court overturning the Full Federal Court's finding that Self Care had infringed Allergan's 'BOTOX' registrations by using the Botox Phrase.

A number of other recent Australian cases have also illustrated other issues arising in relation to the question of 'use as a trademark'. An example is *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd*.^[4] In this case, Reckitt Benckiser (RB) was the owner of an Australian trademark registration comprising an image of its Finish Powerball product.

Figure 2



Henkel marked and sold a product called SOMAT Excellence 4in1 dishwasher gel caps (the Somat Product). The Somat Product had packaging which displayed a stylised image of one of its gel caps (the Somat Device).

Figure 3



RB commenced proceedings against Somat in the Federal Court, alleging that Somat was using the Somat Device as a trademark and that it was deceptively similar to its registration (along with another trademark registration owned by RB). Somat, in turn, filed a cross-claim against RB, alleging that RB had not used the registration over a three-year period, such that it should be cancelled by the Court on the basis of non-use under section 92 of the TMA.

RB argued that it had used its registration when advertising and selling its Finish Powerball products. Specifically, RB's Finish Powerball products were sold in a number of different packaging variations including those shown in Figures 4 and 5.

Figure 4



Figure 5



The packaging in Figure 4 notably included a stylised depiction of a Finish Powerball product in the middle of the packaging, consisting of a tablet, a red ball floating above the tablet and

a 'star burst' behind the red ball (the Powerball Device), and smaller images of the actual Powerball products (shown just above the purple triangle in Figure 4) (the Powerball Images). The packaging in Figure 5 had a clear window that allowed the consumer to see the actual Powerball products included inside the packaging.

The Federal Court firstly found that the Powerball Device was not substantially identical to the registration due to the numerous differences between them, including the position of the red cylindrical ball in the Powerball Device. Accordingly, any use of the Powerball Device could not constitute use of the registration.

The Federal Court agreed that the Powerball Images and actual Powerball products as displayed in the Figure 5 packaging were substantially identical to the registration. However, it found that neither had been used as a trademark at any relevant point by RB:

- In all advertising and packaging for the Powerball products, the 'Finish Powerball' branding and logo were prominently and consistently displayed.
- The purpose of the Powerball Images (and the packaging in Figure 5, which allowed the products themselves to be seen) was to inform consumers as to the nature of the Powerball products that were inside.
- The Powerball Images were shown in certain advertisements, but only fleetingly and only for the purpose of communicating details about the product to the consumer.
- The Powerball Images were displayed on a listing for the product on Amazon. However, consumers were not immediately confronted with the images, but were required scroll through several other images to see them.

For these reasons, the Federal Court concluded that the Powerball Images and Powerball products were not being used as a brand or to inform a consumer about the source of the products; rather, they were simply being used to inform the consumer as to certain details about the products.

Accordingly, the Federal Court found that RB had not used its registration, and as RB could not provide any basis for the Court to exercise its discretion to allow it to remain on the Register of Trademarks, the Court ordered that it be removed.

Notwithstanding this finding, the Federal Court went on to consider whether the Somat Device would have infringed the registration if it was valid and, in doing so, again looked at what constitutes use as a trademark – specifically, whether the Somat Device was used as a trademark.

In determining this, the Federal Court noted that the context of the use of the Somat Device was important, including its use in relation to other components on the packaging and the environments in which consumers are likely to see it. In light of these matters, the Court found that most consumers would, when seeing an array of dishwasher capsule products, seek to distinguish them by first focusing on the brand name of each product, which is the most prominent and distinctive feature of the products. The Court noted that the Somat Product packaging clearly and distinctively displayed the 'SOMAT' and 'SOMAT EXCELLENCE' brands, which would be immediately noticed by a consumer, and that the Somat Device was included simply to inform the user as to what the product looks like and to assist the consumer to select between the different Somat dishwashing capsules (of which there were two).

Ultimately, the Federal Court found that there was little likelihood that, when faced with the prominent and highly visible 'SOMAT' brand name, consumers would rely on the Somat Device to distinguish the products and determine their source. As such, the Somat Device was not used as a trademark.

Accordingly, RB was entirely unsuccessful in the proceedings, managing not only to lose the infringement claim but also the registration in the process. It should be noted that the matter has been appealed to the Full Federal Court, with the judgment yet to be handed down.

Based on these cases, the test in identifying whether a sign is being used as a trademark appears to remain whether it is used as a badge of origin to indicate a connection between the goods and the person who applied the sign to the goods in all the circumstances. The test confirms that not all logos and elements used on product advertising and packaging will constitute use as a trademark, so their use may not infringe a registration, regardless of how similar they may be to one another (but of course the use may still infringe other IP rights).

Further, to guard against non-use allegations, brand owners should carefully consider the way in which they use their trademark registrations and whether consumers are likely to perceive them as being used as independent badges of origin or signs that simply inform the consumer about characteristics of a product or service.

FEDERAL COURT GIVES OPINION ON NICE CLASSIFICATIONS

Another important recent development in Australian trademark litigation is the guidance of the Full Federal Court as to the relevance of Nice Classifications when considering the scope of goods and services covered by a trademark registration. The Federal Court had previously found that it is permissible to refer to extrinsic materials such as the Nice Classifications to resolve any ambiguity in a statement of goods and services. However, in *Energy Beverages LLC v Cantarella Bros Pty Ltd*^[5] (the EB Case), the Full Federal Court appears to have departed from this position.

In the EB Case, the Full Federal Court was required to consider whether goods covered by a trademark application were similar goods to those covered by a prior registration. If so, the prior registration would block registration of the later mark. The goods covered by the application included coffee in Class 30, whereas the goods covered by the prior registration included non-alcoholic beverages in Class 32.

Cantarella, the owner of the application in question, pointed out that coffee beverages were Class 30 goods according to the Nice Classifications and not Class 32 goods. Accordingly, it argued that non-alcoholic beverages in Class 32 should necessarily exclude coffee beverages.

The Full Federal Court rejected this argument, noting that the classification of goods and services according to Nice Classifications was primarily a matter of convenience in administration (eg, in facilitating searches) and that the nomination of a class for particular goods is not decisive as to the scope of a given registration. It found that the relevant question was whether from a business and commercial point of view, non-alcoholic beverages as specified in the registration would be understood as including non-alcoholic coffee beverages.

Having considered relevant evidence, the Full Federal Court found that coffee as a beverage would indeed be understood to fall within the scope of non-alcoholic beverages, as claimed in the prior registration.

This decision is important as it highlights the need to carefully consider the actual goods and services listed in a trademark registration, rather than seeking to define the scope of protection by reference to the Nice Classifications of goods and services. Further, it cannot be assumed that goods and services in different classes will not be considered similar goods.

Endnotes

- 1 [\[2023\] HCA 8](#). [^ Back to section](#)
- 2 The [TMA](#) can be accessed via the Commonwealth Consolidated Acts website. [^ Back to section](#)
- 3 At [29]. [^ Back to section](#)
- 4 [\[2022\] FCA 1042](#). [^ Back to section](#)
- 5 [\[2023\] FCAFC 44](#). [^ Back to section](#)

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China: Comprehensive Legislative Framework Underpins Domestic and International IP Protection

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IN SUMMARY

This article provides a review of the key issues relevant to trademark-related litigation and practice in China.

DISCUSSION POINTS

- Injunctions and tips on claiming damages
- Legislative framework and causes of action
- Administrative, civil and criminal litigation
- Forum shopping
- Damages and remedies
- Defences
- Appeals process

REFERENCED IN THIS ARTICLE

- Civil Procedure Law
- Trademark Law
- Annual Report on Intellectual Property Protection by Chinese Courts 2022
- Annual Report on Intellectual Property Protection in China 2022

Injunctions At A Glance

Preliminary injunctions – are they available, how can they be obtained?	Motions for preliminary injunctions can be filed to the courts before or during litigation.
Permanent injunctions – are they available, how can they be obtained?	The courts grant permanent injunctions in verdicts rendered following litigation.
Is payment of a security/deposit necessary to secure an injunction?	Yes.
What border measures are available to back up injunctions?	Custom seizure actions.

INJUNCTIONS AND DAMAGES

Injunctions

Preliminary injunctions are an increasingly critical tool in litigation because an order on a preliminary injunction or property preservation (attachment of property), or both, helps trademark owners to stop ongoing acts of infringement, avoid or minimise irreparable harm pending litigation, enforce final verdicts and support claims for damages.

The courts will consider the following factors when granting such an order:

- the plaintiff's likelihood of prevailing on the merits;
- a demonstration of irreparable harm to the plaintiff if a preliminary injunction is not granted;
- the balance of interest and hardship between the plaintiff and the defendant; and
- whether the injunction may harm the public interest.

According to the Civil Procedure Law,^[1] a motion for an order on a preliminary injunction or preservation of property, or both, can be filed both before or during litigation. When necessary, the courts may decide to issue such an order on their own initiative. When the courts decide to grant an order, the applicants for preliminary injunctions or preservation of property, or both, are required to provide a security. The courts shall dismiss the motion if the applicant fails to provide the security at the request of the courts. With regard to pretrial injunctions, the courts shall revoke the order if the applicant fails to file a lawsuit or arbitration within 30 days of the date on which the courts issued the order.

Tips On Claiming Damages

According to the Trademark Law,^[2] the defendant in a trademark infringement lawsuit shall not be liable for paying damages in the following scenarios:

- In response to a defence put forward by the defendant that the plaintiff has not used the registered trademark or trademarks, the court may require the plaintiff to provide evidence showing the use of the registered trademark or trademarks during the three years prior to the lawsuit. The defendant shall not be liable for paying damages if the plaintiff is neither able to prove its trademark use during this time frame nor able to prove other losses suffered as a result of the trademark infringement.
- If a distributor raises the defence that it is unaware that the items offered for sale infringe upon a registered trademark or trademarks, is able to prove that the items were procured by legitimate means and provide information on the suppliers of the items, the distributor shall not be liable for paying damages.

It is therefore necessary for the plaintiff to collect and keep its evidence of trademark use on file to support claims for damages. The plaintiff should consider sending cease-and-desist letters to a distributor that commits trademark infringement before a lawsuit, after collecting and notarising the evidence of trademark infringement to further prove the distributor's bad faith and pave the way for claiming damages (particularly punitive damages).

LEGISLATIVE FRAMEWORK AND CAUSES OF ACTION

China has a comprehensive and integrated legal framework for trademark protection based on domestic legislation and international IP treaties and conventions.^[3] The Trademark Law and its implementing regulations are the primary sources of law on trademark protection in China.

In addition to the above, the following apply:

- the Civil Code;
- the Civil Procedure Law;
- the Criminal Procedure Law;

- the Anti-Unfair Competition Law;
- the Copyright Law;
- the E-Commerce Law;
- judicial policies, interpretations and guidelines issued by the Supreme People's Court (SPC);
- rules, regulations and guidelines on trademark protection issued by the competent authorities;
- guiding and typical cases published by the SPC; and
- reference cases published by local high courts.

As a general rule, only registered trademarks are protected under the Trademark Law. To protect unregistered trademarks, rights holders may:

- if the cited and infringed trademark has been used but not registered in China, seek well-known trademark recognition to stop the use of the infringing trademark on similar or dissimilar goods or services;
- file unfair competition litigation to stop the use of the infringing trademark in domain names, as the Anti-Unfair Competition Law prohibits the use of, among others:
 - influential trade dress;
 - product, trade, institutional and personal names (including pen, stage and translated names); and
 - distinctive elements; and
- file copyright litigation if the unregistered trademark is subject to copyright protection.

The courts have rendered verdicts holding that the sale of parallel imported goods constitutes trademark infringement if there are substantive changes in product packaging, or differences in terms of quality or trademark use, between the authorised goods and the parallel imports. The courts have also rendered verdicts that outline the criteria for determining infringement regarding trademark use related to original equipment manufacturer (OEM) goods that are produced in China and intended only for exportation without sale in China.

In recent years, trademark squatters have initiated litigation to compel real trademark owners to either pay damages or purchase back trademarks registered in bad faith at very high prices. The courts have gradually developed a consistent practice of dismissing those cases on the grounds that such litigation constitutes an abuse of rights by trademark squatters.

The SPC has issued guidelines making it clear that if in an IP rights infringement lawsuit the defendant submits evidence to prove that the lawsuit filed by the plaintiff constitutes an abuse of rights and has damaged the defendant's legitimate rights and interests as prescribed by law, and the defendant requests the plaintiff to compensate for reasonable expenses, the court shall support the request. The defendant may also file a separate lawsuit to require the plaintiff to compensate for such reasonable expenses. The SPC guidelines aim to deter parties from filing trademark litigation in bad faith.

Administrative And Civil Litigation

Trademark litigation falls into various categories depending on applicable laws, procedures, nature and objectives.

Administrative litigation involves the judicial review of:

- decisions or rulings on official refusal, opposition, invalidation and non-use cancellation, among other things, rendered by the China National Intellectual Property Administration (CNIPA);
- other specific trademark-related administrative acts performed by the CNIPA and the State Administration for Market Regulation; and
- decisions or rulings on trademark infringement rendered by the local administration for market regulation (AMR).

Civil litigation involves:

- trademark disputes relating to:
 - infringement and unfair competition;
 - ownership; and
 - transfer, licensing and agency contracts;
- before or during litigation, motions for:
 - preliminary injunctions;
 - property preservation; and
 - evidence preservation;
- motions for non-infringement declaratory judgments; and
- other trademark-related disputes.

Criminal Litigation

The following acts carry criminal liabilities:

- passing off registered trademarks;
- selling goods on which registered trademarks owned by others are used; and
- illegally manufacturing the labels of registered trademarks owned by others or selling such illegally manufactured labels.

Criminal litigation is usually filed by the procuratorates after the Public Security Bureau (PSB) has completed its criminal investigations and handed over files and evidence to the procuratorates. The PSB may open criminal investigations on its own initiative, or in response to complaints filed by the rights holder or after the cases have been handed over to them by the AMR.

The SPC urges local courts to hold three-in-one trials for judicial efficiency and consistency if trademark issues are involved in simultaneous pending administrative, civil and criminal lawsuits.

ALTERNATIVE DISPUTE RESOLUTION

Trademark disputes can be resolved through negotiation and mediation during civil litigation. The court may act as a mediator, or direct the parties to work with the court-designated external mediators or mediation centres. The SPC has been urging the courts to rely on alternative dispute resolution (ADR) mechanisms to deliver efficient and diversified in IP protection. During civil litigation, the courts will always ask the plaintiffs and defendants whether they want to settle disputes through ADR.

Arbitration serves to resolve civil trademark disputes, provided that the parties agree in writing to arbitration. Mediation and arbitration are generally not employed in administrative and criminal trademark litigation unless the rights holder files an incidental civil litigation in combined criminal and civil proceedings, and the parties choose to mediate a settlement agreement on the civil claims over damages.

LITIGATION VENUE AND FORMATS

The courts in China have four levels of hierarchy:

- basic people's courts (eg, the people's courts at district or county level);
- intermediate people's courts, including the specialised IP courts in Beijing, Shanghai and Guangzhou;
- high people's courts in each province, autonomous region or municipality directly under the central government; and
- the SPC.

Some basic people's courts and intermediate people's courts have cross-regional jurisdiction over IP-related cases according to SPC guidelines.

Forum Shopping

Forum shopping is not available for administrative litigation.

Courts at the defendant's domicile, the locations where the infringing acts occur (ie, where the infringing acts or the outcomes thereof take place) or the locations where the infringing products are stored, seized or detained by administrative authorities (eg, the AMR, customs office or PSB) have territorial jurisdiction over infringement cases.

Specialised IP courts and IP tribunals have more expertise and experience in handling IP disputes. Courts in more economically developed provinces and areas are more pro-intellectual property and tend to grant higher damages. It is recommended that the plaintiff file trademark litigation to the specialised IP courts or tribunals. It is also an effective strategy to identify every player involved in the trademark infringement and select the court most preferred by the plaintiff to file the litigation.

Internet courts in Beijing, Hangzhou and Guangzhou have jurisdiction over disputes arising from online infringement and transactions. Almost all proceedings at the internet courts are conducted online for the convenience of all parties involved.

The courts at the defendant's domicile or the location of the server of an e-commerce trading platform have jurisdiction over litigation against an internet-based trademark infringement.

Jury Versus Bench

Trademark litigation is usually heard by a collegiate bench of three (most often) or five members. At the trial court, the collegiate bench may comprise judges only, or judges with one or two people's jurors. People's jurors are not included in a collegiate bench at the appellate courts.

DAMAGES AND REMEDIES

The following remedies are available in trademark infringement litigation:

- injunctions (preliminary and permanent);
- damages (including punitive damages); and
- public apologies or declarations aimed at undoing the negative effects of the infringing acts.

Damages for trademark infringement are calculated with reference to one of the following factors:

- losses of the plaintiff;
- profits of the defendant;
- a reasonable multiple of the trademark licensing fees when it is difficult to determine the plaintiff's losses or the defendant's profits;
- statutory damages of up to 5 million yuan when it is difficult to determine the plaintiff's losses, the defendant's profits or the trademark licensing fees; or
- punitive damages for grave trademark infringement in the amount of one to five times the base amount of damages determined with reference to plaintiff's losses, the defendant's profits or the trademark licensing fees.

Damages include reasonable expenses spent by the plaintiff on trademark enforcement actions.

The SPC has directed the courts to use market value as a benchmark for determining damages in IP litigation. It has also directed the courts to award punitive damages to ensure that the damages in total are commensurate with the market value of the IP rights in dispute and the punitive damages in particular can discourage trademark infringement. In response to requests from the plaintiff, the court may exercise discretion and impose punitive damages on defendants committing intentional and egregious trademark infringement and acts of unfair competition.

In light of present practice and the trend of courts awarding substantial damages, as well as punitive damage in some cases, the rights holders should consider relying more on litigation to obtain stronger protection and seek damages in China.

Trademark litigation holds more of a deterrent power if it can hold individuals liable for trademark infringement. In recent years, the courts have rendered verdicts that have held legal representatives and shareholders jointly or severally liable for infringements perpetrated by their companies, defeating their attempts to evade trademark infringement penalties by abusing the independent legal person status of the company or the limited liabilities of shareholders.

The courts have also rendered verdicts ruling that trademark agencies acting as co-defendants to provide assistance to the defendants in bad-faith trademark filings have committed an act of unfair competition and should pay compensatory damages to the plaintiff. The courts' verdicts offer rights holders new tools in the fight against bad-faith trademark filings and trademark-related infringements.

EVIDENCING THE CASE

According to the Civil Procedure Law, motions for preservation of property can be filed to the courts during litigation if it is likely that the evidence may be destroyed or lost, or it will be difficult to obtain the evidence later. In an emergency, motions for preservation of property can be filed to the courts before litigation or arbitration if it is likely that the evidence may be destroyed or lost, or it will be difficult to obtain the evidence later.

Investigations And First Steps

Investigations are necessary and can be vital. Investigations are conducted for multiple purposes, including:

- collecting facts and evidence to support the litigation;
- spotting the strengths and weaknesses of both the plaintiffs and the defendants to help the rights holder build a strong case, and an adequate and strong future trademark portfolio; and
- formulating well-informed trademark litigation strategies and tactics.

Legal counsel should always be closely involved when working with internal or external investigators by offering input into investigation plans and overseeing investigations to ensure that the evidence obtained complies with the rules of evidence.

Relevant and particularly important evidence must be notarised and legalisation is also necessary if the evidence is collected outside China. Digital evidence must be collected in compliance with the courts' guidelines. Legal counsel must review and ensure the legality of the evidence obtained during investigations because evidence procured through dubious or illegal means may be excluded or compromise the case.

Survey Evidence

Survey evidence is not mandatory and is often challenged. In practice, survey evidence has been filed to the court in difficult cases for reference purposes. The SPC and local courts have accepted survey reports as evidence. The referential value of survey evidence for the judges to determine cases should not be ignored.

Use Of Expert Witnesses

Expert witnesses are permitted in trademark litigation cases and are often engaged to provide expert opinions, especially in cases of first impression. Courts may also consult experts for their opinions on difficult issues. Economic experts can be helpful in ascertaining payable damages. Expert opinions may not be cited by judges.

AVAILABLE DEFENCES

The following defences can be raised when facing trademark infringement charges:

- no trademark infringement;
- no likelihood of confusion because there are no similarities in terms of the trademarks, goods or services;
- the plaintiff's trademark is invalid or declared invalid owing to its non-compliance with the Trademark Law;
- legitimate, fair, prior, authorised or licensed rights (eg, use of prior trade names, copyrights or design rights) use;
- legitimate product source and no knowledge of trademark infringement;
- exhaustion of trademark rights;
- laches or loss of statutory limitations;
- no infringement in OEM cases where all the OEM products are exported only to a foreign country or region and the mark used on the goods is owned or duly registered by the party that has ordered the OEM products in the destined country or region;
- safe harbour for internet service providers;
- lack of standing to sue or be sued;
- lack of jurisdiction; and
- unclean hands or abuse of rights.

The SPC has dismissed trademark infringement lawsuits on the grounds of abuse of rights.

Appeals Process

A domestic party may file an appeal within 15 days of receipt of a first-instance judgment, while a foreign party may file an appeal within 30 days. Parties may still file new and supplementary evidence to the appellate court.

The appellate court will review both factual and legal issues. It usually takes six to nine months for the appellate court to render its judgment, which is final and effective. The time frame for court proceedings will be longer if one of the parties is a foreign entity or national.

The plaintiffs or defendants may apply for a retrial of an effective judgment within six months of the effective date. The higher-level courts will review and decide whether to accept retrial applications. For a retrial application to be accepted, new and substantial evidence that could overturn the effective judgment or clear mistakes in procedural issues, fact findings or applications of law are usually required.

In rare circumstances, the people's procuratorates have powers to supervise the adjudication of civil cases and may do so ex officio or at the request of the parties involved in civil cases.

Any party can appeal before the appellate court.

Endnotes

- 1 The [Civil Procedure Law](#) can be accessed via the National Laws and Regulations Database. [^ Back to section](#)

- 2 The [Trademark Law](#) can be accessed via the Chinese government's website. [^ Back to section](#)
- 3 These include the [Annual Report on Intellectual Property Protection by Chinese Courts 20](#) and the [Annual Report on Intellectual Property Protection in China](#). [^ Back to section](#)



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Singapore: Initiatives to Fast-track IP Disputes Coincide with Increased Focus on Distinctiveness

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IN SUMMARY

This article provides an update on two recent trademark decisions in Singapore that discuss the relevance of acquired distinctiveness in the evaluation of mark similarity and the state of the trademarks register in assessing the inherent technical distinctiveness of a mark. It also introduces the main features of a new fast-track option for IP disputes in Singapore.

DISCUSSION POINTS

- Acquired distinctiveness of a mark is irrelevant to the issue of mark similarity and only relevant to the assessment of likelihood of confusion
- State of trademarks register is relevant in inherent distinctiveness assessment
- New fast-track option for IP litigation

REFERENCED IN THIS ARTICLE

- *V V Technology Pte Ltd v Twitter, Inc [2022] SGHC 293*
- *Staywell Hospitality Group Pty Ltd v Starwood Hotels & Resorts Worldwide, Inc [2013] SGCA 65*
- *Fair Isaac Corporation v LAC Co, Ltd [2022] SGIPOS 19*
- *British Sugar plc v James Robertsons & Sons Ltd [1996] RPC 281*
- Part 2 of the Supreme Court of Judicature (Intellectual Property) Rules 2022
- *Tiger Pictures Entertainment Ltd v Encore Films Pte Ltd [2023] SGHC 138*

Injunctions At A Glance

<p>Preliminary injunctions – are they available, how can they be obtained?</p>	<p>Preliminary injunctions are available. Typically, an application for a preliminary injunction is made by filing an interlocutory application in the course of trademark infringement proceedings. The applicant will need to show that there is a serious question to be tried, damages are an inadequate remedy and the balance of convenience lies in favour of granting the preliminary injunction.</p>
<p>Permanent injunctions – are they available, how can they be obtained?</p>	<p>A permanent injunction is a common form of relief in a trademark infringement action. The injunction will typically be awarded if the claimant succeeds.</p>
<p>Is payment of a security/deposit necessary to secure an injunction?</p>	<p>When a preliminary injunction is sought, the claimant has to give an undertaking to the court to pay for losses incurred by the defendant if it turns out that the injunction should not have been granted. In certain cases, the claimant may be required to fortify its undertaking as to damages</p>

	by paying a security. No undertaking or security deposit is required for permanent injunctions.
What border measures are available to back up injunctions?	Notice may be given by owners of trademark registrations to Customs to request the seizure of imported or exported goods that are suspected to infringe their trade mark rights. Customs may also seize imported or exported goods that are reasonably suspected to be counterfeit.

RELEVANCE OF ACQUIRED DISTINCTIVENESS

Under section 8(2) of the Trade Marks Act 1998, as amended (TMA), a trademark must not be registered if there exists a likelihood of confusion on the part of the public because it is:

- identical or similar to an earlier trademark; and
- to be registered for goods or services identical with or similar to those for which the earlier trademark is protected,

In the seminal case of Staywell Hospitality Group Pty Ltd v Starwood Hotels & Resorts Worldwide, Inc (Staywell),^[1] the Singapore Court of Appeal – the apex court in Singapore – affirmed that a step-by-step approach should be applied in the assessment of whether a trademark falls foul of section 8(2) of the TMA. This is the approach that prevails in Singapore whether the assessment is for the purposes of trademark opposition, invalidation or infringement proceedings.

Under this step-by-step approach, the three requirements of similarity of marks, similarity of goods or services and likelihood of confusion arising from the similarities are to be assessed systematically, with the first two elements assessed individually before likelihood of confusion is assessed comprehensively. This approach is said to be preferred over the global appreciation approach applied throughout the European Union and in the United Kingdom, given its conceptual clarity and close alignment with the wording of section 8(2) of the TMA.^[2]

However, there are two seemingly contradictory propositions in Staywell that have vexed commentators. On one hand, Staywell concludes that a competing sign is more likely to be considered similar to a mark with greater technical distinctiveness,^[3] which takes into account both inherent and acquired distinctiveness, in a marks’ similarity analysis.^[4]

On the other hand, the case concludes that the assessment of marks’ similarity should be undertaken without consideration of any extrinsic matters and that extrinsic matters should only be considered at the stage of the inquiry where the court assesses the effect of the resemblance between the marks on consumers’ perceptions.^[5]

The second statement seemingly contradicts the first because the analysis of acquired distinctiveness necessarily involves the consideration of extrinsic matters (eg, how long-standing and widespread the use of the mark has been, the amounts invested by the proprietor in promoting the mark).

This question was considered by the Singapore High Court in V V Technology Pte Ltd v Twitter, Inc (Twitter).^[6] After considering the authorities, including Staywell, the High Court in

Twitter held that acquired distinctiveness should not be considered at the marks' similarity inquiry stage.^[7]

On a holistic reading of *Staywell*, the High Court concluded that the Court of Appeal must have intended that only inherent technical distinctiveness was to be taken into account in the marks' similarity analysis. Accordingly, acquired technical distinctiveness should not be considered at this stage, but should instead be left for the likelihood of confusion inquiry.^[8] This approach accords with the rationale underpinning the step-by-step approach, which reflects the need to distinguish between the issues of the resemblance between the competing marks and the effect of such resemblance.^[9]

Additionally, from the perspective of encouraging economy and efficiency in litigation, this approach would serve to avoid parties adducing irrelevant evidence in proceedings, thereby reducing costs.^[10]

The practical implication of the High Court's decision is that it will be more difficult for the proprietors of registered trademarks with a low level of inherent technical distinctiveness to enforce their rights in Singapore in blocking a competing sign from attaining registration and in trademark infringement proceedings. Trademark proprietors will not be able to rely on their marks' acquired distinctiveness through use to argue that they are highly distinctive to lower the threshold for finding that competing signs are similar to their marks.

This can make or break a case given that under the step-by-step approach a finding by the courts or the trademarks registry that the competing marks are dissimilar would mean that the next steps need not be carried out at all. In other words, the matter could be decided without a likelihood of confusion analysis, where acquired distinctiveness becomes relevant.

It remains to be seen how this would affect the success rate of trademark opposition, invalidation and infringement proceedings in Singapore. Meanwhile, the safer bet as always, would be to go with marks which comprise invented and meaningless words, as opposed to marks which can be seen to be descriptive of or have some other relation with the goods or services in question.

PRESENCE OF THIRD-PARTY REGISTRATIONS FOR SIMILAR MARKS RELEVANT IN INHERENT DISTINCTIVENESS ASSESSMENT

In *Fair Isaac Corporation v LAC Co, Ltd (Fair Issac)*,^[11] which concerned a trademark opposition proceeding against the mark 'CLOUDFALCON' relying on the prior mark 'FALCON' that was registered in the same class for similar goods and services, the Singapore Trade Marks Registry considered the issue of whether reliance can be placed on the state of the trademarks register when assessing the prior mark's inherent technical distinctiveness.

The Singapore Trade Marks Registry held that the state of the trademarks register is relevant for the assessment of inherent distinctiveness. This decision is significant because it is the first in Singapore to have addressed this issue in detail.

The question arose because, in its submissions, the applicant relied on prior registrations of third-party marks consisting of the word 'falcon' and other well-known birds (eg, 'eagle' and 'hawk') to argue that the opponent should not have exclusive right over the word 'falcon'. In response, the opponent argued that such reliance was irrelevant, citing a passage from the English decision in *British Sugar plc v James Robertsons & Sons Ltd (British Sugar)* for this proposition.^[12]

In *British Sugar*, in considering whether the state of the register was relevant to the question of the factual distinctiveness (ie, acquired distinctiveness) of the prior mark, Mr Justice Jacob had this to say:

Both sides invited me to have regard to the state of the register. Some traders have registered marks consisting of or incorporating the word “Treat”. I do not think this assists the factual inquiry one way or the other, save perhaps to confirm that this is the sort of word in which traders would like a monopoly. In particular the state of the register does not tell you what is actually happening out in the market and in any event one has no idea what the circumstances were which led the registrar to put the marks concerned on the register. It has long been held under the old Act that comparison with other marks on the register is in principle irrelevant when considering a particular mark tendered for registration, see eg *MADAME Trade Mark* ([1996] RPC 541) and the same must be true under the 1994 Act. I disregard the state of the register evidence.

However, *British Sugar* had been cited out of context, as the High Court of Justice in London had been concerned with the relevance of the state of the register to acquired distinctiveness, not inherent distinctiveness, which was the question in the Singaporean case. The assistant registrar found that, in fact, *British Sugar* contemplated that the state of the register could be considered when assessing the inherent technical distinctiveness of a mark.

Such an approach would also be consistent with the Singapore Registry of Trade Marks’s practice, where trademark examiners consider other registered marks to determine if a particular word or element is one that other traders may legitimately wish to use on their own goods and services. Additionally, this approach would avoid trademark applicants who are defendants in opposition proceedings from having to conduct costly marketplace investigations to demonstrate that a particular word is being used by other honest traders as a part of their own marks; in turn, this would align with the legislative belief that trademark oppositions should be low-cost proceedings.

NEW FAST-TRACK OPTION FOR IP LITIGATION

On 1 April 2022, the Supreme Court of Judicature (Intellectual Property) Rules 2022 came into force in Singapore. A key feature is a fast-track option for IP proceedings, the Simplified Process for Certain Intellectual Property Claims (the Simplified Process), which aims to make the IP dispute resolution system in Singapore more accessible – in particular for parties with fewer resources, such as individuals or small and medium-sized enterprises.

Under the Simplified Process, cases are subject to more rigorous court control, and there are stricter limitations on the length of proceedings and caps on the costs and damages recoverable, all of which mirror the features of the Intellectual Property Enterprise Court in the United Kingdom.

There are two main ways through which the Simplified Process may be invoked:

- The claimant may file and serve requisite court forms either to apply the Simplified Process by choice or to abandon any claim for monetary relief in excess of S\$500,000.^[13] Notably, notwithstanding election by the claimant, the Simplified Process will not apply if the court considers the claim unsuitable for this route.^[14]

- The Simplified Process will apply where the court considers the claim suitable for the Simplified Process and orders it to apply.^[15] Such an order may be made by the court on its own motion or on the application of a party to the proceedings.^[16]

Apart from the fact that the dispute must involve an IP right, the following criteria must be fulfilled before a claim is considered suitable for the Simplified Process:^[17]

- the monetary relief claimed must not or must not be likely to exceed S\$500,000 (unless parties agree to the application of the Simplified Process); and
- the case is otherwise suitable for the Simplified Process, having regard to the following matters:
 - whether a party can only afford to bring or defend the claim under the Simplified Process;
 - the complexity of the issues;
 - whether the estimated length of trial is likely to exceed two days; and
 - any other relevant matters.

Where the Simplified Process applies:

- as far as possible, the court will give directions on all matters necessary for the case to proceed expeditiously and to ensure that the trial is completed within two days at a single case conference;^[18]
- the court will take an active role in identifying the key issues in dispute between the parties and determining which issues are not relevant to the trial; and
- the total costs to be ordered against a party are capped – in particular, the total costs ordered are capped at S\$50,000 for trial of the claim and S\$25,000 for any bifurcated assessment as to the amount of monetary relief.^[19]

In 2023, the first case involving the application of the Simplified Process came before the Singapore High Court. In *Tiger Pictures Entertainment Ltd v Encore Films Pte Ltd (Tiger)*,^[20] the claimant chose the Simplified Process, electing to abandon its claim for monetary relief in excess of S\$500,000. The defendant challenged this election by filing an application for an order that the Simplified Process did not apply to the claim.

The Singapore High Court concluded that the Simplified Process applied to the claim for the following reasons:

- It was uncontroversial that the claim involved an IP right (ie, copyright).
- The Court was satisfied that the monetary relief claimed by each party would not or was not likely to exceed S\$500,000 and the claimant had abandoned its claim for monetary relief above S\$500,000. The Court was also satisfied that the defendant's claimed monetary relief would not exceed S\$500,000, since it had failed to particularise its purported losses.^[21]
- The issues in the case were neither legally nor factually complex, as the claim had turned on a single question of whether there was a legally binding agreement between the parties that permitted the defendant to distribute a film in Singapore. The facts

and evidence that affected the determination of this question was also limited in quantity.^[22]

- The Court found that the estimated length of the trial was not expected to exceed two days. Although the defendant had indicated its intention to call witnesses who would need interpretation services, the Court took the view that any cross-examination of these witnesses would not be lengthy given that they would be testifying on either irrelevant or narrow points. The Court was also not minded to grant the defendant's request for an expert witness as it would not contribute to the central issue in the claim.^[23]
- The Court considered that the quantum of the claimant's claim rendered it a suitable case for the simplified process, noting that the lower the quantum of the claims involved, the higher the likelihood that a case would be considered suitable for the Simplified Process.^[24]

This case gives an indication of the factors that the Singaporean courts will consider when deciding if a case is suitable for the Simplified Process.

The Simplified Process provides a cost-efficient and expeditious method of enforcing IP rights to prospective claimants with straightforward claims. At the same time, however, prospective claimants who wish to litigate under the regular track face greater pressure to particularise their losses at an early stage, or justify the applicability of the regular track by reference to the complexity of the issues or the likely length of trial, to avoid the court ordering of its own volition, that the proceedings be transferred to the Simplified Process (which entails caps on damages and costs recovery).

Endnotes

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Specialist Chapter: China's New Punitive Damages System Bolsters Protection Against Trademark Infringement

[Yan Zhang](#), [Tianmei Deng](#) and [Austin Chang](#)

[Beijing East IP](#)

Summary

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IN SUMMARY

Recently, China has been fighting trademark infringements and counterfeits through implementing a punitive damages system. As relevant laws and regulations on punitive damages improve, courts have reached decisions in more typical cases after conducting precise calculations on the base amounts, and cautious consideration regarding multiples, of punitive damages.

DISCUSSION POINTS

- Base amount of punitive damages is determined with more precision
 - Multiples of punitive damages are determined more cautiously
 - Punitive and statutory damages are carefully selected and balanced
 - Punitive damages can be determined based on agreed compensation
-

REFERENCED IN THIS ARTICLE

- Court guidelines on punitive damages
- *Vans v Zhilong Gao*
- *Hangzhou Robam v Shenzhen High-End Kitchenware Lao Ban*
- *Shanghai Saiyi v Changzhou Yishui and Shanghai Wanneng*
- *JUKI v Zhejiang Jukai*
- *Opplé v Huasheng*
- *Carl Zeiss AG v Yiwu Hanke and Wang Xiao*
- *Shenzhen Xiaoerduo v Wenzhou Cricket*

The Civil Code adopted in May 2020 anchors the overall establishment of the punitive damages system for the protection of intellectual property. This system was incorporated into the Trademark Law (revised in 2013), the Anti-Unfair Competition Law (revised in 2019), the Patent Law (revised in 2020) and the Copyright Law (revised in 2020). In 2021, the Supreme Court issued its Interpretation on the Application of Punitive Damages in the Trial of Civil IP Infringement Cases (the Supreme Court Interpretation),^[1] which outlines the scope of application of punitive damages, the criteria for determining intentional infringement and serious circumstances, and the method for calculation of the base amounts and multiples of punitive damages. Following this, courts in Beijing, Shandong and other areas have specified standards of punitive damages applicable to their jurisdictions. This article summarises recent trends in punitive damages for trademark infringements, defines the main points of relevance for calculating punitive damages based on typical cases and provides a strategic view of how rights holders can claim punitive damages in trademark infringement litigation.

DETERMINATION OF BASE AMOUNT OF PUNITIVE DAMAGES

Article 63 of the Trademark Law stipulates that damages for trademark infringement shall be assessed on the basis of the actual losses suffered by the rights holder, the infringer's

profits or reasonable multiples of royalties. The base amount of punitive damages is also determined on this basis. In 2020, the Supreme Court released its 'Several Provisions on Evidence in Civil Procedures Involving IP Rights' document, which provides clearer guidelines on the evidence required to support damages claims. Financial audits, evaluation reports, market research reports, transaction data stored in equipment and systems, statistical data from third-party platforms, and records maintained by market regulation, taxation and financial departments are commonly used as evidence to prove the amount of damages. As relevant laws and regulations on punitive damages improve, courts have reached decisions in more typical cases after conducting precise calculations to find sales volume or relevant financial data, assessing profit margins and determining profit contribution.

In cases where punitive damages are calculated based on the actual losses suffered by the rights holder or the infringer's profits from infringement, courts generally adopt the calculation method of multiplying the sales volume of infringing products, or the reduced sales volume due to infringement, by the profit per unit of product. When determining these factors, courts refer to various facts, such as sales volume of infringing products that the infringer admits to, the sales volume of infringing products displayed on e-commerce platforms, the sales channels, the franchisees and the number of infringing products seized by administrative authorities.

In *Vans v Zhilong Gao*,^[2] the plaintiff requested the court to retrieve the defendant's sales data from e-commerce platforms. Based on the data provided by the platforms, the court selected the orders related to infringing products, excluded the refunded orders and retained only the orders with 'successful transactions'. The court then determined the total sales volume based on the selected number of successful transactions. In *Hangzhou Robam v Shenzhen High-End Kitchenware Lao Ban*,^[3] the plaintiff submitted the defendant's product catalogue as evidence, claiming that the sales volume of infringing products shall be calculated based on the number shown in the catalogue. The defendant argued that the number shown in the catalogue, which served as external publicity data, was exaggerated; even if the number in the catalog were accurate, there was no evidence to prove that the products that had already been sold infringed upon the plaintiff's trademark. The court requested the defendant to submit its financial and shipment records or other evidence to prove the quantity and price of the infringing products, but the defendant failed to do so. The court found that, in view of the fact that the plaintiff had purchased infringing products in several provinces through notarised purchases, and that the defendant had promoted and sold infringing products through its website, WeChat and TikTok, it was legitimate to refer to the plaintiff's claims and evidence submitted in determining the damages. The court decided that the product catalogue could also be used as evidence to calculate the quantity of infringing products.

Regarding assessment of profit margins, the main difference in practice lies in the choice between operating profits and sales profits. The specific profit margins to be adopted should be considered comprehensively based on the facts of the case. Relevant evidence to consider includes:

- profit margins of identical or similar products publicly disclosed or acknowledged by the infringer;
- statistics or industry reports issued by competent authorities, industry associations or third-party platforms; and
- the infringer's financial, annual audit and tax records.

In *Shanghai Saiyi v Changzhou Yishui and Shanghai Wanneng*,^[4] the plaintiff calculated the profits based on operating profits found in a third party's annual report; however, the court differentiated between operating profits and sales profits, and found that the third party's profit margin was higher than the market average by taking into account the popularity of the third party and other factors. Accordingly, the court exercised its discretion to establish a lower profit margin.

Some courts also take the contribution of intellectual property into consideration when determining the base amount of damages. According to current judicial practice, there is no established standard for determining contribution, and courts typically make determinations based on the merits of each case. The reference factors include popularity and reputation of the trademark being infringed, the infringer's use of the trademark and industry features, among other things. In *Huawei v Shenzhen Shangpai*,^[5] the court held that Huawei's contribution to Shangpai should be considered when calculating punitive damages to establish a causal relationship between a finding that punitive damages should be awarded and Shangpai's infringing acts. The court comprehensively considered the high popularity and reputation of Huawei's trademarks and held that Shangpai's high sales volume was largely associated with Huawei's trademarks. However, given that the evidence also showed that Shangpai's own business management had contributed a certain amount to its product sales, the court concluded that Huawei's trademarks contributed to 80 per cent of Shangpai's profits.

In cases where punitive damages are calculated based on royalties or multiples thereof, the courts tend to adopt a more precise calculation of royalties and determination of multiples. Judging from the legislative intent, multiples of royalties as the base for punitive damages are factors in a compensatory damages calculation and the amount of damages ordered should be closer to the rights holder's actual losses. In *Oppl v Huasheng*,^[6] the court found that the terms of the licence agreement provided by the plaintiff were limited to the use and promotion of the trademark involved in distributors' business premises and the sales channels were only limited to distributors' locations. The alleged infringement, however, involved the manufacture, sale and offering for sale of infringing products on both online and offline platforms within China and worldwide. Therefore, the court doubled the royalties as the base amount for punitive damages.

DETERMINATION OF MULTIPLES OF PUNITIVE DAMAGES

Regarding multiples of punitive damages, the Trademark Law defines a range of one to five times the base. According to the Supreme Court Interpretation, when determining multiples of punitive damages, courts should take into consideration of various factors, such as the defendant's subjective fault and the severity of the infringement. Additional factors, such as the degree of intentionality, duration and repetition of the infringement, are set out in trial guidelines issued by local courts.

In theoretical research and judicial practice, quantifying multiples of punitive damages has also been discussed. Some practitioners hold that quantifying multiples of punitive damages could help to unify the standards of adjudication and establish a general correlation between multiples of punitive damages and the degree of bad faith and severity of infringement. However, quantifying multiples of punitive damages still remains a theoretical discussion and, in practice, courts tend to apply a more cautious approach when determining multiples of punitive damages.

SELECTION AND BALANCE OF PUNITIVE AND STATUTORY DAMAGES

Although there are multiple factors to be considered in determining punitive damages, in some cases, it is still difficult to prove the total losses suffered by the rights holder or profits gained by the infringer. There may be situations where the amount involved in the infringing acts or the resulting damage cannot be proven. In response to this dilemma, some courts have applied punitive damages on identifiable losses and statutory damages on hard-to-identify losses.

Article 5.8 of the Guidelines on the Application of Punitive Damages in the Trial of Civil IP Infringement Cases issued by the Beijing High Court (the Beijing Court Guidelines)^[7] stipulates that 'if part of the damage caused by the same infringing acts can be determined, punitive damages may be applied to that part at the plaintiff's request. For the part of the damage that cannot be determined, statutory damages should be applied separately'. Article 21(3) of the Guidelines on the Application of Punitive Damages in the Trial of Civil IP Infringement Cases issued by the Shandong High Court stipulates that 'where there are multiple facts involved in the defendant's infringement, courts can apply punitive damages to the part where the base amount of calculation can be determined, and apply statutory damages to the part where the base amount of calculation cannot be determined'.

In *JUKI v Zhejiang Jukai*,^[8] the court emphasised the importance of finding facts in support of calculating the base amount of punitive damages, but it also noted that failing to apply punitive damages when the total base amount cannot be ascertained would undermine the effectiveness of the punitive damages system and allow intentional infringers to evade legal liability. Therefore, provided that part of the base amount can be determined, punitive damages will be applied. Based on this reasoning, the court found that evidence submitted could be used to verify the amount of two orders produced and exported by Zhejiang Jukai and applied punitive damages to its exports accordingly. For Zhejiang Jukai's infringements that occurred domestically, the court comprehensively considered Zhejiang Jukai's domestic production, sales, exhibitions, web pages and public WeChat account promotions, as well as factors such as the degree of intentionality of the infringements and the seriousness of the circumstances to determine statutory damages of 1 million yuan.

Article 3.23 of the Beijing Court Guidelines stipulates that for intentional infringement with serious circumstances, where the plaintiff requests punitive damages but the base amount thereof is difficult to determine, statutory damages should be applied and determined at a higher level, where appropriate. In *Carl Zeiss AG v Yiwu Hanke and Wang Xiao*,^[9] the plaintiff claimed that damages should be calculated based on the defendant's profits gained from the infringement, but its calculation was dismissed by the court for lack of evidence. Instead, the court comprehensively considered factors such as the popularity and reputation of the plaintiff's trademark, and the defendant's subjective bad faith, repeated infringements, wide range of infringements and serious consequences. As a result, the court ordered relatively high statutory damages of 4 million yuan.

DETERMINATION OF PUNITIVE DAMAGES

Article 3.21 of the Beijing Court Guidelines stipulates that 'interested parties can agree on the base amount of punitive damages, the method of determining the base amount of damages, multiples of damages and the total amount of damages', which to some extent reflects that the courts are in support of agreed compensation in determining punitive damages. No laws prohibit trademark owners and infringers from reaching an agreement in advance regarding

infringement liabilities or compensation amounts, among others. Such an agreement can be considered a predetermined calculation method agreed upon by both parties, taking into account the potential losses suffered by the rights holder or the profit obtained by the infringer as a result of future infringement.

In *DORCOCO v Jiangxi Xirui*, the court found that the defendant had entered into a settlement agreement with the plaintiff in another case involving counterfeits, in which the defendant agreed that it would unconditionally compensate the plaintiff for damages that were 10 times the value of the infringing products (based on the price of genuine products) if it infringed upon the plaintiff's trademark again. In this case, the defendant admitted that it had manufactured and sold infringing products, and acknowledged that the sales amount of the infringing products sold on the Alibaba platform was 2 million yuan. The court affirmed the validity of the settlement agreement from the prior case and supported the plaintiff's claim for damages of 8 million yuan based on the terms of the settlement agreement.

In *Shenzhen Xiaoerduo v Wenzhou Cricket*,^[10] the court held that statutory damages should be applied because it was difficult to determine the plaintiff's actual losses resulting from the infringement, the profit obtained by the defendant from the infringement and trademark royalties. To determine the amount of statutory damages, the court considered the settlement agreement between the plaintiff and the defendant, which stated that the defendant would compensate the plaintiff with no less than 1 million yuan if it intentionally infringed upon the plaintiff's trademark and trade name again. In light of this, the court awarded statutory damages of 1.1 million yuan.

CONCLUSION

As China has been strengthening its legal system and judicial enforcement measures for to protect IP rights holders, it is important for rights holders to be aware of the application and use of the punitive damages rules. When pursuing punitive damages, rights holders are advised to specify the amount of damages and the calculation methods in the complaint if the base amount of punitive damages can be clarified. If the base amount cannot be clarified, rights holders may still request the court to consider intentional infringement and serious circumstances as factors when determining statutory damages, and the amount of statutory damages will be determined at a higher level at the courts' discretion. Additionally, rights holders may also consider reaching a settlement agreement with infringers on infringement liabilities in the event of future infringements, especially the amount of compensation. This can serve as a deterrent to infringers and reduce the burden of proof for rights holders in future infringements.

Endnotes

- 1 The [Supreme Court Interpretation](#) can be read on the National Laws and Regulations Database (available in Chinese only). [^ Back to section](#)
- 2 Ningbo Intermediate Court of Zhejiang (2021) Zhe 2 Min Chu Decision No. 1866. [^ Back to section](#)
- 3 Shandong High Court (2022) Lu Min Zhong Decision No. 1449. [^ Back to section](#)

- 4 Shanghai IP Court (2022) Hu 73 Min Zhong Decision No. 656. [^ Back to section](#)
- 5 Hangzhou Intermediate Court of Zhejiang (2021) Zhe 1 Min Chu Decision No. 886. [^ Back to section](#)
- 6 Guangdong High Court (2019) Yue Min Zai Decision No. 147. [^ Back to section](#)
- 7 The [Beijing Court Guidelines](#) can be read on the China Trademark Network website. [^ Back to section](#)
- 8 Shanghai IP Court (2022) Hu 73 Min Zhong Decision No. 187. [^ Back to section](#)
- 9 Zhejiang High Court (2022) Zhe Min Zhong Decision No. 1154. [^ Back to section](#)
- 10 Zhejiang High Court (2022) Zhe Min Zhong Decision No. 857. [^ Back to section](#)



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Specialist Chapter: Practitioners in China Turn to Civil Litigation to Combat Trademark Squatters

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Summary

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IN SUMMARY

To tackle trademark squatting applications, the major remedies under the Trademark Law are oppositions and invalidations. Exploring remedies through civil litigation to pursue a trademark squatter's infringement liability has become a hot topic in China's IP field, but these cases are limited to trademarks that are being subjected to squatting being used in the market.

DISCUSSION POINTS

- Administrative and civil actions have been leveraged to tackle trademark squatting and hoarding
 - Legal remedies provided under the Anti-Unfair Competition Law have been invoked against trademark squatters
 - Leading cases have made it clear that market use or abuse of process on the part of trademark squatters has to be found
 - Lawmakers considering a separate cause of action in dealing with trademark squatting and hoarding
-

REFERENCED IN THIS ARTICLE

- Trademark verification proceedings
- Element of market practice
- *Emerson Electric Co v Hemeiquan Company et al*
- *Bayer Consumer Care Holdings LLC & Bayer Consumer Care AG v Li Qin*
- Draft of Trademark Law (for public opinion)

Brand owners have long been frustrated with the legal bills associated with commencing endless opposition, invalidation or non-use cancellation actions (trademark verification proceedings) against trademarks squatters who filed trademarks on goods or services not covered by the brand owners' prior marks so that they may demand payment in the future. To avoid being coerced in this way, brand owners commonly employ the defensive filing approach.

An initial trademark filing in China is cheap but, if a registered trademark is sold to a brand owner by a trademark squatter, the squatter's return on investment could be very high. This was noticed by so-called investors, so a large amount of money flew into the trademark squatting business. A derivative business called trademark hoarding also emerged, which comprises applications for common or generic words that could block subsequent filings from being successful. In such cases, the hoarder could benefit from assigning its hoarded marks to subsequent applicants.

Trademark squatting and hoarding has caused tremendous trouble for brand owners and the China National Intellectual Property Administration (CNIPA), which is the authority responsible for examining trademark filings and adjudicating on trademark verification

proceedings. An immense number of applications filed without intent to use and the consequent trademark verification proceedings initiated against those bad-faith applications has consumed many working hours of CNIPA and the judicial system, and has incurred criticism from practitioners.

This article will first cover the measures taken by CNIPA, then discuss leading case law in this area before briefly introducing key provisions present in the draft of the Trademark Law that relate to trademark squatting and hoarding.

ADMINISTRATIVE SANCTIONS

To implement the Trademark Law provision that trademark filings that lack intent to use will be rejected,^[1] CNIPA promulgated its Several Rules on the Regulation of Trademark Application Behaviours in October 2019, which provide procedural guidelines and guarantees for CNIPA to tackle both the squatter and any trademark agents who knowingly aids and abets squatters.

In March 2021, CNIPA launched a special operation to search for and crack down on trademark squatting. It defines 'trademark squatting' as trademark applications for the names of national projects, major disasters, sport events, attractions, names or nicknames of celebrities, generic terms and commercial signs belonging to others.

CNIPA also maintains a list to identify bad-faith applicants. Once identified on this list, the applicant's integrity is compromised, trademarks filed by it will be subject to stricter scrutiny and the chance of receiving an ex officio rejection increases significantly. Its lack of integrity will also be considered in ensuing opposition and invalidation proceedings.

In 2022 alone, statistics show that 370,000 trademark filings were rejected ex officio, representing 2.5 per cent of the 7 million trademarks examined by CNIPA.^[2]

CIVIL ACTIONS

The threat of CNIPA sanctions has significantly decreased the volume of trademarks being published for opposition and have suppressed squatters' motivation to hijack more trademarks. However, a bad-faith application may be successfully registered if the squatter submits a limited number of applications to avoid being labelled as a bad-faith applicant. As squatters have learnt from previous failures and now elect to register companies as vehicles to register a small number of trademarks or target a particular legitimate trademark owner, successful bad-faith filings are now common.

Legal Provisions

Anti-Unfair Competition Law

The remedies sought by practitioners are contained in the Anti-Unfair Competition Law. Some plaintiffs have tried to seek remedies under the Chinese laws on tort,^[3] but the courts are reluctant to adjudicate on tort claims resulting from disputes over the ownership of IP rights.

Article 2 of the Anti-Unfair Competition Law^[4] articulates that business operators must act in accordance with the law and good practice.^[5] The lack of specificity of the wording of article 2 aims to ensure that any new unfair practices that do not conform to the Law's provisions are covered. To avoid any abuse of this general clause, in Shandong Foods Imports &

Exports Co v Qingdao Shengkedacheng Trading Co,^[6] the Supreme People's Court clarified the application of article 2 as follows:

- the Anti-Unfair Competition Law does not set forth specific provisions for the particular type of unfair competition at issue in this case;
- the legitimate interests of other competitors have been damaged due to the unfair practice at issue (actual damages); and
- the behaviour at issue was illegitimate because it violated the principle of honesty in industrial or commercial matters (illegitimate nature).

A prerequisite for the application of the Anti-Unfair Competition Law is that the parties must be competitors in the market, which is unlikely to be the case in trademark squatting cases as the brand owner is usually an esteemed corporation and the defendant has filed trademarks belonging to the brand owner in bad faith. Nevertheless, Chinese courts are making this provision available in such cases by interpreting the term 'competitor' broadly. This three-factor test has been absorbed and is specifically mentioned in the Understanding and Application of Several Issues on the Application of the Anti-Unfair Competition Law document.

Tort

Article 1165 of the Civil Code stipulates that 'whoever is at fault in infringing upon others' civil rights or interests and causing damage thereto shall bear tortious liability'. It is widely accepted that a four-element test needs to be established for assuming tortious liability, comprising infringing up on others' rights; actual or knowledge of the consequences of infringement; injury; and causation.

These four elements can be applied to many situations, including trademark squatting, but the courts are reluctant to apply tort law in such cases due to the principle of special law repealing general laws; the Anti-Unfair Competition Law is the last resort for protecting IP rights.

LEADING CASES

The Anti-Unfair Competition Law was enacted to discourage unfair market practices. In trademark squatting cases, if a squatter hijacks a brand owner's trademark then files an online takedown notice, lodges trademark infringement litigation or starts to use the trademark on its own merchandise, the squatter's conduct is considered to be market practice; however, attention should be paid to cases in which a squatter merely applies a brand owner's trademarks.

Four leading cases in this area as well as two cases rendered by Beijing courts in which the plaintiffs' claims were dismissed for lack of a market practice element are discussed below.

Emerson Electric Co V Hemeiquan Company Et Al

In Emerson Electric Co v Hemeiquan Company et al (Emerson),^[7] it was established that Emerson was the registrant of the trademarks 'In-Sink-Erator' and '1(or 'AI SHI YI') on food waste disposal devices. Hemeiquan filed applications for English and Chinese 'In-Sink-Erator' marks on dissimilar goods across 15 classes, including water purification equipment. Emerson opposed those trademarks but the opposition failed. Emerson then

lodged a civil action against Hemeiquan, its stakeholder and its trademark agent (the defendants) to Xiamen Intermediate People's Court in March 2020.

The issues relevant to our discussion include whether the case could be adjudicated in civil proceedings and whether defendants' behaviour constituted unfair competition or an infringement of civil rights and interests.

Emerson claimed that the defendants' behaviour violated the principle of good faith, infringed upon its civil rights and interests, resulted in economic losses to it, and constituted unfair competition. The defendants responded that trademark applications did not comprise 'production and operation' within the meaning of the Anti-Unfair Competition Law nor any of the unfair practices specified under it, therefore the Law could not be applied.

The Xiamen Intermediate People's Court did not follow the defendants' opinion on which acts can be regulated by the Anti-Unfair Competition Law. Instead, the Court returned to the essence of civil law and elaborated that an infringement dispute taking place between equal entities can be adjudicated on by a court in civil proceedings. Emerson contended that the trademark squatting behaviour committed by the defendants violated article 2 of the Anti-Unfair Competition Law and article 6 of the Tort Liability Law (the latter has been repealed and absorbed into the Civil Code).

To establish a competitive relationship, the Court articulated that Emerson's food waste disposal devices and water purification equipment produced by the defendants were all pieces of kitchen and sanitary equipment. To establish the illegitimate nature of the defendants' conduct, the Court reasoned that the defendants had hijacked both the English and Chinese 'In-Sink-Erator' trademarks and, in view of the fame of Emerson's mark, the defendants' application could not be coincident (implying bad faith on the part of the defendants). The defendants had also registered other famous marks without justification, including marks belonging to Dow, Morgan Stanley, Apple, BRITA and UNILEVER, among other companies. As a result, Emerson had to file opposition, invalidation, administrative litigation and civil actions to protect its interests, which attests that Emerson's ordinary business operation was disturbed (implying actual damages).

The Court also found that the trademark agent had knowingly aided and abetted the squatter as it had failed to exercise its reasonable duty of care, so it had committed contributory infringement.

At appeal before the Fujian High People's Court, the defendants again raised the fact that trademark filing does not comprise a production or business operation, which is the prerequisite for the application of the Anti-Unfair Competition Law. However, the appellant court found that, in one piece of evidence, the mark 'In-Sink-Erator AI SHI YI' (in English and Chinese) had been used on Hemeiquan's website, which satisfied the market practice prerequisite. Notably, the Xiamen Intermediate People's Court did not comment on the production or business operation prerequisite.

Emerson received much attention, but it is not the first case of its kind. The case below, the decision in which was rendered by a trial court in 2017 and was not appealed, found that enacting malicious online takedowns satisfied the market practice element.^[8]

Bayer Consumer Care Holdings LLC & Bayer Consumer Care AG v Li Qin

Bayer Consumer Care Holdings LLC & Bayer Consumer Care AG v Li Qin (Bayer)^[9] concerned Bayer-manufactured sun cream, for which Bayer acquired a registration the word mark

'COPPERTONE': Two image marks were also used on 'COPPERTONE' sun cream packaging, but had not yet been registered. The two image marks were later copied and registered by the defendant, Li Qin.

Li Qin served Bayer's authorised distributors with infringement notices and lodged up to 294 online takedown complaints, causing 'COPPERTONE' sun cream to be removed from an online platform. Li Qin advocated that, if the distributor paid 50,000 yuan, the complaint would be withdrawn. Li Qin had intended to sell the two marks to Bayer for 700,000 yuan and implied that the two marks were an investment. Li Qin had also hijacked other well-recognised brands.

The Hangzhou Municipality Yuhang District Court first concluded that the defendant's actions – including registrations for cosmetics, soliciting business for pay-and-withdraw and causing the removal of Bayer's products from an online platform – damaged Bayer's competitive advantage (implying actual damage), also proving the existence of a competitive relationship between the parties.

With respect to the illegal nature of the conduct, the Court opined that Li Qin had registered two image marks for which Bayer owned the copyright and Li Qin's application for those marks constituted plagiarism. Further, Li Qin's pay-and-withdraw business model was aimed at exploiting illegal profits from bad-faith registrations, and Li Qin's registration for other brands exceeded business needs and constituted trademark hoarding. Li Qin's acts had violated the honesty principle and disturbed ordinary market order in violation of article 2 of the Anti-Unfair Competition Law.

In Bayer, Li Qin's high number of malicious online takedown and infringement notices were treated as business operations within the meaning of the Anti-Unfair Competition Law. An unusual aspect of Bayer was that the Court determined that the registration of the two image marks had infringed Bayer's copyright, which should have been decided by CNIPA.

In December 2018, CNIPA invalidated the two image marks through a finding of copyright infringement (article 32 of the Trademark Law) and that the trademark had been registered improperly (article 44 of the Trademark Law).

Alpha LLC V Beta LLC Et Al

Alpha LLC v Beta LLC et al (Alpha)^[10] concerned Alpha, a leading chemical company, that had registered the coined word mark 'ALALPHA' in Classes 1 and 4. Beta hijacked more than 70 trademarks for both the English and Chinese versions of 'ALALPHA', but Beta did not use any of those marks in the market.

In November 2019, Alpha filed civil action against Beta and its trademark agent, invoking both the Tort Liability Law and the Anti-Unfair Competition Law. Alpha requested the transfer of all 70 trademarks and sought a permanent injunction to ban any further filings by Beta.

In the civil ruling,^[11] the trial court declared that the trademark applications at issue did not constitute trademark infringement and thus penalising such conduct fell outside the court's judicial power.

At appeal, Alpha pointed out that it had not claimed that trademark infringement had occurred, but tortious and unfair competition conduct had, and the trial court had erred in comprehending the nature of the dispute. Further, Alpha contended that, from a policy standpoint, it was the Supreme People's Court's belief that the trademark verification process

was incapable of curbing trademark squatting and hoarding, and that the Supreme People's Court had expressed its opinions in several instances that Chinese law should be flexibly adopted to crack down on squatting.

The appellant court, after carefully analysing Alpha's petition, affirmed the dismissal, meaning that both the trial court and the appellant court decided not to adjudicate on trademark squatting but did not specify their legal reasoning.

Omega LLC V Sigma LLC Et Al

Omega, a leading energy company, had registered the word mark 'OMOMEGA' in Class 4, which is widely known in China. The conduct at issue *Omega LLC v Sigma LLC et al (Omega-)*^[12] was that Sigma hijacked the 'OMOMEGA' trademark in five classes but did not use the trademark prior to the launch of the civil action. Omega raised two causes of actions against Sigma and its trademark agent, claiming trademark infringement and unfair competition.

The trial court rejected the trademark infringement claim because market use had not been readily proven. This decision was affirmed by the appellant court.

Regarding unfair competition, the trial court reasoned that the Anti-Unfair Competition Law was enacted to regulate production or business operations, so trademark applications were not subject to the Law.

After the first-instance trial, Sigma started to use the hijacked 'OMOMEGA' trademark in commerce. Surprisingly, the appellant court rejected new evidence of this conduct. It explained that the alleged market use had not been adjudicated on by the trial court, so the hearing of any new facts would compromise the parties' procedural rights.

Although the dismissal of an unfair competition aspect was also affirmed by the appellant court, it condemned Sigma's bad-faith filings in its opinion.

In Omega, the courts suggested that the regulation on bad-faith trademark applications or registrations should be governed by CNIPA, rather than the civil courts. However, if post-registration use exists, the Anti-Unfair Competition Law can play a role and the court can take part.

CONCLUSION

It seems that market practice is a must-to-have element; case law suggests that commercial use of the trademark on products is not necessary, provided that post-registration behaviour disturbs a brand owner's business. The court can interpret 'practice' broadly in favour of the plaintiff.

Our experience suggests that a civil action can be an option if:

- owned marks have been hijacked by squatters in many classes or for multiple times, and the legal battle seems endless;
- a civil action is more cost-efficient than opposition or invalidation;
- owned marks have been hijacked in remote classes and there is virtually no chance of invalidating the bad-faith marks;
- the owner wants to ban any further trademark filings by a particular squatter (akin to a permanent injunction);
-

owned marks are being used by squatter and cause confusion in the market (a preliminary injunction is an option); or

- trademark verification proceedings are costly, and the owner wants to stop losing money and be reimbursed (ie, claim damages in a civil action).

Another benefit of civil action is the facilitation of oppositions and invalidations, which means that, if the civil court reaches favourable judgment, CNIPA would normally invalidate the trademark that has been hijacked. This is extremely important because, in the evidence exchange and legal debate, the bad faith of the trademark squatter can be exhibited in full, meaning that the civil action is more likely to prevail in cases of obvious wrongdoing. In turn, this would also help to secure a favourable decision in trademark verification proceedings.

OUTLOOK

Under the Anti-Unfair Competition Law, the courts need to broadly interpret the relationship between the parties and find market practice evidence for the application of the Law.

On 13 January 2023, CNIPA released its Draft of the Trademark Law, which proposed provisions relevant to trademark squatting or hoarding as follows:

- an open-ended definition of ‘malicious applications’ (including a high number of trademark registrations without intent to use or registering others’ well-known trademarks);
- the compulsory transfer of malicious applications (a new proceeding in which a brand owner can request the transfer of the trademark at dispute during the trademark verification proceedings);^[13]
- retroactive power (ie, if the malicious registration is revoked, the registrant (squatter) shall be liable for the infringing use that commenced when the trademark was still in force);^[14]
- an administrative penalty against squatters (the administrative authority may issue written warnings or impose a fine of up to 250,000 yuan against squatters and confiscate illegal income, if any);
- a damages claim against squatters to provide a separate cause of action to brand owners who suffer damage as a result of malicious filings (the amount of the damage shall include, at minimum, the reasonable costs incurred by preventing the bad-faith trademark from being registered); and
- a damages claim (counter-claim) for a malicious lawsuit (ie, the brand owner is entitled to request damages compensation in a counter-claim if the squatter sues the brand owner for infringement).^[15]

This draft has been made only for public opinion, meaning that it constitutes the first stage of amendment and the final version will be subject to significant change.

Endnotes



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Specialist Chapter: Proposed Revisions to China's Trademark Law Take Aim at Bad-Faith Applications and Boost Protection

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Summary

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IN SUMMARY

In light of the new draft revision of the Trademark Law, which aims to further combat bad-faith applications and protect the trademark rights of lawful owners, this article introduces the trademark infringement judgment criteria and elements under the Chinese legal system. It provides a helpful guide for rights holders to protecting their trademarks in mainland China.

DISCUSSION POINTS

- Determination of trademark use
 - Determination of identical trademarks
 - Determination of the same kinds of goods or services
 - Introduction of confusing similarity criterion
-

REFERENCED IN THIS ARTICLE

- Articles 48, 52(1), 57(1) and 57(2) of the Trademark Law

The current Trademark Law, as amended in 2019,^[1] prohibits malicious trademark applications and enhances protections against infringers in civil trademark infringement litigation. A draft of a revision to the Law that aims to further combat bad-faith applications and protect trademarks is currently under discussion. According to the Trademark Law, the maximum statutory damages that can be awarded in trademark infringement lawsuits is 5 million yuan and punitive damages could be one to five times the amount of the damage. As the draft revision and new judicial interpretations are continuously being revised to strengthen trademark protections, trademark infringement litigation is becoming more crucial. A comprehensive knowledge of civil trademark infringement judgment criteria and elements is becoming increasingly important.

TRADEMARK USE

To determine whether trademark infringement has occurred, whether the allegedly infringing mark has been used as a trademark in the meaning of the Trademark Law must be ascertained. Case law suggests that people's courts usually hold that when judging whether a person has engaged in an act of infringing an exclusive right to use a registered trademark, the judgment should be based on the premise that the person has used a specific mark as a trademark. If such use does not have the effect of identifying the source of the goods or services, the mark has not been used as a trademark, so it should not be judged as an act that infringes the exclusive right of the registered trademark owner.

According to article 48 of the Trademark Law, the term 'use of a trademark' refers to the use of a trademark:

- on commodities, packaging or containers of commodities and commodity transaction documents; or
-

in advertising, exhibition or other commercial activities to identify the source of a commodity.

In the process of specific infringement judgment, a comprehensive assessment should be made in combination with information regarding the general cognition level of the public related to the goods identified by the specific mark, the common use mode in the relevant field and the specific display form of the specific mark.

To reach a determination of trademark use, the infringer must:

- be using the trademark in commercial activities;
- have, subjectively, a real intention to use the trademark; and
- be using, objectively, infringing labels to indicate the source of the relevant goods or services.

Under article 57 of the Trademark Law, any of the following acts shall be deemed infringement the exclusive right to use a registered trademark:

- use of a trademark identical to a registered trademark on the same type of commodity without having been licensed by the trademark registrant;
- use of a trademark similar to a registered trademark on the same type of commodity without having been licensed by the trademark registrant, or use of a trademark that is identical or similar to the registered trademark on similar commodities that easily causes confusion;
- sale of commodities that infringe upon exclusive rights to use registered trademarks;
- forgery or unauthorised manufacturing of labels of another person's registered trademark, or sale of forged or unauthorised labels of another person's registered trademark;
- alteration of a registered trademark without the consent of the trademark registrant and sale of commodities bearing the altered trademark in the market;
- intentional facilitation of an infringement of another person's exclusive rights to use trademarks or assisting in the facilitation thereof; and
- causing harm to another person's exclusive rights to use registered trademarks.

TRADEMARK INFRINGEMENT JUDGMENT RULES

Article 57(1)

Under article 57(1) of the Trademark Law, there are two elements to the trademark infringement judgment rules. It must be determined whether:

- the alleged infringing mark is the same as the registered trademark; and
- the goods or services under the allegedly infringing mark belong to the same kinds of goods or services approved for use by the registered trademark.

Determination Of Identical Trademarks

According to article 9 of the Interpretation of the Supreme People's Court on Several Issues Relating to the Application of Law in the Trial of Trademark Civil Dispute Cases (the

Interpretation), if the registered trademark (as prescribed in article 52(1) of the Trademark Law) is compared with the allegedly infringing mark and the two are visually identical, the trademarks are determined to be identical. In practice, the marks are determined to be identical if:

- an alleged infringement of a logo in font, letter case or horizontal and vertical arrangement of text, among other aspects, is only slightly different to the registered trademark's logo when the two are compared;
- the alleged infringing mark has alterations to the spacing between words, letters, numbers, etc, but the alterations do not affect the significant characteristics of the registered trademark; and
- the colours of the alleged infringing mark only have been changed compared to the registered trademark.

Determination Of The Same Kinds Of Goods Or Services

The service name provided by the suspected infringer and the service name approved by others, or if the two service names are different but the purpose, content, method, provider, object, place and other aspects of the service are the same or basically the same in the opinion of the relevant public, are aspects that are generally considered when determining if the same kind of service criterion applies.

If commodities are being disputed, a determination is made regarding whether they are the same or basically the same in terms of function, use, main raw materials, production departments, consumption objects and sales channels (among other aspects), and whether the relevant public considers the commodities to be the same.

As such, one must first determine whether the names of the goods or services are the same between the registered trademark and the infringing trademark. If not, the differences between the goods or services need to be identified.

Article 57(2)

Under article 57(2) of the Trademark Law, trademark infringement can be divided into three situations:

- The allegedly infringing mark is the same as the trademark of the registered owner, and the goods or services on which the allegedly infringing mark is located are similar to the goods or services approved for use by the registered trademark owner.
- The allegedly infringing mark is similar to the trademark of the registered owner, and the goods or services on which the allegedly infringing mark is located are the same as the goods or services approved for use by the registered trademark owner.
- The allegedly infringing mark is similar to the trademark of the registered owner, and the goods or services on which the allegedly infringing mark is located are similar to the goods or services approved for use by the registered trademark owner.

CONFUSING SIMILARITY CRITERION

According to the provisions of article 10 of the Interpretation, the people's courts determine that trademarks are identical or similar in accordance with the following principles:

- taking the general attention of the relevant public as the standard;

- both the overall composition of the trademarks and the main parts of the trademarks should be compared, and the comparison should be carried out separately and isolated from the objects of comparison; and
- in determining whether a trademark is similar, the significance and popularity of the registered trademark for which protection is requested shall be taken into account.

According to article 8 of the Interpretation, the 'relevant public' (within the meaning of the Trademark Law) refers to consumers related to a certain class of goods or services identified in the trademark registration and other business operators who are closely related to the marketing of the goods or services.

According to the provisions of these laws and regulations, the courts shall make a judgment in accordance with the above principles when determining whether trademarks are identical or similar; therefore, the following factors should be considered when determining if the allegedly infringing trademark is likely to cause confusion:

- the popularity and salience of the plaintiff's trademark;
- the degree of similarity between the trademark and the allegedly infringing mark;
- the degree of similarity between the categories of goods or services; and
- the use of the allegedly infringing logo.

The types of confusion for the relevant public mainly include source confusion (ie, the public are confused as to where the goods or services originate from) and association confusion (ie, the public are misled into believing that the defendant has a licensee relationship with the plaintiff or a specific connection with the plaintiff, such as being an associated company).

According to article 11 of the Interpretation, the term 'similar commodities' (under article 57(2) of the Trademark Law) refers to commodities that are identical in function, use, production department, sales channels and consumption object (among other aspects) or that are generally considered by the relevant public to have specific connections to one another, resulting in confusion among the public. 'Similar services' refers to services that are the same in terms of purpose, content, method or object (among other aspects) or that the relevant public generally believe have a specific connection to one another, also resulting in confusion. If goods and services are similar, there is a specific connection between the goods and the services, which can easily cause confusion among the relevant public.

According to article 12 of the Interpretation, in accordance with the provisions of article 57(2) of the Trademark Law, the people's court determines whether goods or services are similar, and makes a comprehensive judgment based on the relevant public's general understanding of the goods or services. The International Classification of Goods and Services for Trademark Registration, and the Classification of Similar Goods and Services, can be used as reference points when judging whether goods or services are similar

When the court determines whether goods or services are similar, the Similar Goods and Services Division Table is only used as a reference. When judging whether goods are similar, the court must focus on whether the function, use, production department, sales channels, consumption object and other aspects of the goods are the same, and whether it will cause confusion among the relevant public. When judging whether services are similar, the court must consider whether the purpose, content, method, object and other aspects of the services are the same, and whether it will cause confusion among the relevant public.

Endnotes

- 1 The [Trademark Law](#) can be accessed via the World Intellectual Property Organization's website. [^ Back to section](#)



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Specialist Chapter: Effective Litigation Key to Protecting Trademarks in Booming Indian Pharmaceutical Industry

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IN SUMMARY

The pharmaceutical industry has witnessed tremendous growth in recent decades and accounts for a majority of the trademark registrations compared to other sectors in India. Protecting and litigating pharmaceutical trademarks presents a host of challenges; the products, the processes involved and the brand names of drugs need to be protected under trademarks and patents.

DISCUSSION POINTS

- Legal and regulatory framework for pharmaceutical trademarks
 - Registration of pharmaceutical trademarks
 - Preventive measures and existing enforcement mechanisms
 - International enforcement
 - Challenges in protecting and litigating pharmaceutical trademarks
 - Notable judicial developments
-

REFERENCED IN THIS ARTICLE

- *Cadila Healthcare v Cadila Pharmaceuticals*
- *Cipla Limited v MK Pharmaceuticals*
- *Neon Laboratories Ltd v Medical Technologies Ltd & Ors*
- *Macleods Pharmaceuticals Limited v Union of India*
- *Sun Pharma Laboratories Limited v Bdr Pharmaceuticals International Pvt Ltd & Anr*
- *Curewell Drugs & Pharmaceuticals Pvt Ltd v Ridley Life Science Private Ltd*

INTRODUCTION

The pharmaceutical sector in India, being the third-largest manufacturer of generic medicines, constitutes about 20 per cent of total global exports in the pharmaceutical industry. India's domestic pharmaceutical market was estimated to be worth US\$41 billion in 2021; it is likely to reach US\$65 billion by 2024, and further expand to between US\$120 billion and US\$130 billion by 2030.

The Indian pharmaceutical industry has witnessed tremendous growth in recent decades and the industry accounts for the most trademark registrations of all sectors in India; therefore, the products, the processes involved and the brand names of drugs need to be protected under trademarks and patents.

NEED FOR PROTECTING PHARMACEUTICAL TRADEMARKS

Protecting pharmaceutical trademarks is crucial for establishing brand identity, preventing consumer confusion, combating counterfeiting, attracting investments, maintaining brand reputation and trust, and enforcing legal rights. By safeguarding trademarks, pharmaceutical companies prevent the unauthorised use of similar marks that could create confusion

among consumers, leading to potential health risks, compromised treatment choices or loss of consumer trust in the industry.

Trademark protection provides pharmaceutical companies with a competitive advantage, and encourages investments in research, development and marketing. The exclusive right to use a trademark incentivises companies to invest resources in developing innovative pharmaceutical products, conducting clinical trials and bringing such products to market. The protection of trademarks helps create a favourable environment for innovation and ensures a return on investment for pharmaceutical companies.

Trademark protection further provides pharmaceutical companies with legal remedies and enforcement mechanisms against unauthorised use or infringement. Effective trademark protection helps deter potential infringers, safeguard brand value and maintain a level playing field in the market.

LEGAL AND REGULATORY FRAMEWORK

The Ministry of Health and Family Welfare and the Ministry of Chemicals and Fertilisers are the government bodies that regulate the healthcare and pharmaceutical sectors. The agencies that are primarily responsible for regulating the import, manufacture, distribution and sale of drugs in India include:

- the Central Drug Standard Control Organisation;
- the State Drug Standard Control Organisations; and
- the Drug Controller General of India, established under the Drugs and Cosmetics Act 1940 (the D&C Act).

Furthermore, the Drugs and Cosmetics Rules 1945 (the D&C Rules) framed under the D&C Act set (among other things) the prescribed standards and procedural guidelines for the Act's operation.

In India, the regulatory provisions for manufacture and sale of medicines are covered under:

- the D&C Act;
- the D&C Rules;
- the Pharmacy Act 1948;
- the Information Technology Act, 2000;
- the Indian Medical Act 1956;
- the Code of Ethics Regulations 2002;
- the Narcotic Drug and Psychotropic Substances Act 1985; and
- the Drugs and Magic Remedies (Objectionable Advertisement) Act 1954.

REGISTRATION OF PHARMACEUTICAL TRADEMARKS

The pharmaceutical industry accounts for the most trademark registration applications of any sector in India.

Section 9(a) of the Trademark Act 1999 (the Act) prohibits the registration of trademarks that are descriptive, devoid of any distinctiveness (ie, not capable of distinguishing the goods or services of one source from another), or of such a nature as to deceive the public or cause

confusion. Section 11 of the Act prohibits the registration of marks that are descriptive or devoid of distinctiveness, except where the mark has acquired distinctiveness or secondary significance on account of its use, publicity and popularity.

A feature particular to pharmaceutical trademarks is that these marks are often derived from the name of the ailment that the drug treats, the treatment performed by the drug, the salt composition of the drug or any other related medical term and may thus lack inherent distinctiveness. However, distinctiveness is requisite for a mark to qualify as a trademark; therefore, the deciding factor is the brand owner's evidence of secondary meaning. Another significant provision in this regard is section 13 of the Act, which prohibits the registration of names of chemical elements, compounds and international non-proprietary names that have been declared by the World Health Organization and were notified by the registrar of trademarks in 2012 or that are deceptively similar to such names.

Non-conventional Trademarks

Brand owners are developing more advanced and innovative ways to distinguish their products by adopting non-conventional or non-traditional trademarks. Such marks include the shape and colour combinations of drugs as well as trade dress. Sound marks have been registered by pharmaceutical companies in India, such as the mark 'HI-SA-MI-TSU' by Hisamitsu Pharmaceutical Co, Inc of Japan. 'The Purple Pill' of AstraZeneca's Nexium and the 'Red and White' Dyazide of SK&F have been registered as colour trademarks.

PREVENTATIVE MEASURES AND EXISTING ENFORCEMENT MECHANISMS

Preventive Measures

Brand owners may consider the following points as precautionary measures:

- ensure that inherently distinctive marks are adopted and protected for effective deterrence;
- use the mark in such a manner that its genericide is avoided at all costs;
- collect and preserve all documentary evidence of the use and publicity of a pharmaceutical trademark to build a winnable case in the future; and
- maintain a clear record of all such documents for each brand and accumulate them to show continuity.

Existing Enforcement Mechanisms

For enforcement, a civil action for infringement of a registered trademark may be initiated alongside a criminal action for effective deterrence. Through a civil action, the rights holder can also obtain remedies in the form of an injunction, seizure and destruction of infringing stock, and damages (as the remedy of damages is not available under a criminal action).

If the mark is not registered in India, a civil action for the tort of passing off can be initiated, provided that the mark carries substantial goodwill and reputation in the relevant markets and actual or potential injury will, or is likely to, be caused to the trademark owner because of the misrepresentation.

For pharmaceutical trademarks, specific actions are available under the D&C Act, read with the D&C Rules. As one of the main objectives of this framework is to ensure that publicly available drugs are safe and effective, it also stipulates criminal penalties for offences

relating to the import, manufacture and sale of spurious drugs. According to sections 9B and 17B of the D&C Act, in relation to the import and manufacture, sale and distribution of drugs, a 'spurious drug' includes counterfeit products. Amendments to the D&C Act from 2008 made the penal framework much stricter. The import of spurious drugs entails a punishment of imprisonment for up to three years and a fine of up to 5,000 Indian rupees. Further, section 11(2) of the D&C Act provides that the commissioner of Customs or an authorised officer may detain any imported package suspected to contain any drug whose import is prohibited.

The manufacture, sale or distribution of any spurious drug that is likely to cause a person's death or grievous harm on consumption will entail imprisonment for between 10 years and life, along with a fine of no less than the greater of 1 million rupees or three times the value of the drugs confiscated. In all other cases involving spurious drugs, the penalty will be imprisonment for between seven years and life and a fine of no less than the greater of 300,000 rupees or three times the value of the drugs confiscated.

In *Curewell Drugs & Pharmaceuticals Pvt Ltd v Ridley Life Science Private Ltd*,^[1] the Delhi High Court scrutinised the role of the Indian drug authorities – the Drugs Controller General of India (DCGI), and the state food and drug administrations – in approving drugs that have an identical or almost identical brand name. This was also captured in the Supreme Court's judgment in *Cadila Health Care Ltd v Cadila Pharmaceutical Ltd*, which called for the need for proper coordination between the drug authorities and the Trademarks Office.

Counterfeiting is defined in the Indian Penal Code 1860, section 415 of which – read with illustration (b) – makes counterfeiting an act of cheating that can entail imprisonment for up to one year or a fine, or both.

Border Enforcement

India has a robust border security and enforcement system under the Customs Act 1962, whereby rights holders can enforce their IP rights at the Indian border under the Intellectual Property Rights (Imported Goods) Enforcement Rules 2007. In this regard, the relevant IP rights must be validly registered. The term of Customs protection is five years from the recordation of the rights with the authorities or until the expiry of the relevant IP rights registration, whichever is earlier.

INTERNATIONAL ENFORCEMENT

Pharmaceutical trademarks often require protection across multiple jurisdictions due to the global nature of the industry. Inconsistencies in IP laws, varying levels of enforcement and differing legal systems across countries can make it challenging to effectively enforce trademark rights internationally. Coordinating cross-border efforts and addressing jurisdictional issues can be complex and time-consuming.

CHALLENGES IN PROTECTING AND LITIGATING PHARMACEUTICAL TRADEMARKS

Protecting and litigating pharmaceutical trademarks presents a host of challenges. Litigation in the life sciences and pharmaceutical industries continues to be prolific due to the complex nature of the pharmaceutical industry and the importance of protecting public health.

Genericism

One common issue in pharmaceutical trademark litigation is the risk of genericism. If a trademark becomes the common name for a particular drug, it may lose its distinctiveness and legal protection. Pharmaceutical companies need to actively monitor and enforce their

trademarks to prevent them from becoming genericised and maintain their exclusivity in the market.

Trademark Similarity And Confusion

The pharmaceutical industry often deals with many similar drug names, which can create a higher likelihood of confusion among consumers.

Regulatory Approval And Trademark Use

The approval process for pharmaceutical products, including generic drugs and biosimilars, involves regulatory bodies such as the Central Drugs Standard Control Organisation and compliance with the D&C Act. Litigating pharmaceutical trademarks may involve determining whether the use of a particular trademark complies with regulatory requirements and whether it may cause confusion among healthcare professionals or patients.

Patents And Trademark Interplay

Pharmaceuticals often rely on patents to protect their inventions and exclusivity in the market. The interplay between patents and trademarks can create complex legal issues. Litigation may arise when trademarks are used to extend patent protection or when trademarks are challenged based on the existence of overlapping patents.

Public Health Considerations

Litigation involving pharmaceutical trademarks must take into account public health considerations. Courts and regulatory bodies need to balance the interests of trademark owners with public access to affordable and safe medications, ensuring that trademark enforcement does not unduly hinder patient access to essential drugs.

Counterfeit And Parallel Import Issues

The pharmaceutical industry is particularly vulnerable to counterfeit products and parallel imports, where legitimate products are imported from one market to another without the manufacturer's authorisation. Parallel imports, also called grey-market imports, are goods produced genuinely under the protection of a trademark, patent or copyright, placed into circulation in one market and then imported into a second market without the authorisation of the local owner of the IP right. These goods are authorised for original sale and are not counterfeited or pirated merchandise; thus, parallel imports are identical to legitimate products except that they may be packaged differently and may not carry the original manufacturer's warranty.

E-pharmacy

The rise of online sales and the proliferation of internet pharmacies have introduced new challenges in trademark litigation for pharmaceuticals. The DCGI issued a notification stating that the online sale of medicines must conform to the requirements laid down in the D&C Act. The chief area of concern has been the online sale of prescription drugs. The rules regarding the operation of e-pharmacies are yet to be finalised by the government and various e-pharmacies currently operate in the country, but those that do not meet the requirements of the D&C Rules – including those relating to sales from licensed premises and maintaining necessary records – are not permitted. Thus, electronic and scanned copies of prescriptions are acceptable.

In the case of any infringement or passing off, the rights holder not only has recourse to remedies against the seller or manufacturer of the counterfeit drugs, but can also initiate an action against the e-pharmacy under internet intermediary liability laws.

Pharmaceutical Advertising

Pharmaceutical advertising plays a crucial role in promoting pharmaceutical products to healthcare professionals and consumers; however, pharmaceutical companies need to ensure that their advertising practices comply with relevant laws and regulations, including trademark laws, to avoid trademark infringement issues. The Advertising Standards Council of India is a non-governmental organisation whose main objectives include developing self-regulation guidelines for advertising content to ensure that the claims made through advertisements are true, thereby preventing the spread of dishonest and misleading content among consumers.

Under the D&C Act, a drug shall be deemed to be misbranded if it is not labelled in the prescribed manner or if the label contains anything misleading. The Drugs and Magic Remedies (Objectionable Advertisement) Act 1954, which applies to a specified category of drugs limited to a specified list of disorders, diseases and conditions, prohibits advertisements including the display of labels in connection with diagnoses, cures, mitigation, treatments or prevention with regards to drugs in general. It also prohibits false or misleading claims in advertisements and advertisements for magic remedies.

NOTABLE JUDICIAL DEVELOPMENTS

Given the impact of the pharmaceutical industry on public health and safety, the courts adopt a stricter approach and a higher-than-usual degree of scrutiny when assessing similarities between such marks.

The Supreme Court of India, in *Cadila Healthcare v Cadila Pharmaceuticals*,^[2] expressed the need for a greater level of care when dealing with pharmaceutical trademarks. The Court explained that 'drugs are poisons, not sweets'. Considering the enormous potential impact on public health, even slight confusion between two drugs may lead to detrimental consequences; thus, even if there is a minor possibility that the public may confuse one medicine for another, the courts will generally grant an injunction to restrain the use of the infringing mark given the compelling public interest. The Supreme Court established various parameters for resolving the question of misleading likeness in the case of pharmaceutical trademarks depending on the facts and circumstances of each case, as follows:

- the nature of the marks (ie, whether the marks are word marks, label marks or composite marks);
- the degree of resemblances between the marks (ie, the similarity of idea or sound);
- the nature of products;
- the class of purchasers, their education and intelligence, and the degree of care they are likely to exercise in purchasing or using the goods;
- the mode of buying the products or placing orders for the products; and
- any other surrounding circumstances that can be relevant to the extent of dissimilarity between the competing marks.

Another landmark case in the realm of pharmaceutical trademarks is Cipla Limited v MK Pharmaceuticals.^[3] The plaintiff produced norfloxacin tablets in blister packaging that was oval and orange in colour under the trademark 'NORFLOX-400'. The defendant utilised an identical name, but it was not the name for which the plaintiff sued; rather, the plaintiff claimed that the defendant imitated the shape, colour and blister packing of pills, and caused confusion. The court, while deciding in favour of the defendant, held that there can be no colour monopoly because no one requests medicine based on its colour, form or packaging.

In Neon Laboratories Ltd v Medical Technologies Ltd & Ors,^[4] the Supreme Court held that a mark should typically be an innovation and that if it is an existing word, it should not have descriptive features relating to the product.

The Bombay High Court, in Macleods Pharmaceuticals Limited v Union of India,^[5] held that it is a settled legal position that when a particular medicinal or pharmaceutical product is involved in an impugned trademark that may deceive the public or cause confusion with respect to another trademark, it is the courts' primary duty to take utmost care to prevent any such possibility of confusion.

In Sun Pharma Laboratories Limited v Bdr Pharmaceuticals International Pvt Ltd & Anr, the Supreme Court laid down the following key points that should be considered when deciding cases of deceptive similarity involving pharmaceutical trademarks:

- the marks have to be compared as a whole and they have to be judged by their look and sound;
- the consumer base has also to be considered;
- where medicinal products are involved, the test to check the likelihood of confusion should be strictly applied (in the case of non-medicinal products, confusion only creates economic loss but, in the case of medicinal products, it may have adverse consequences on the health and life of an individual); and
- although one drug may be sold in one form, such as tablets or injectables, and the other may be sold in such forms as a lotion and a cream, both drugs may be sold through common channels – further, the similarity of the marks may give rise to possible deception or confusion.

CONCLUSION

Considering the exponential growth of India's pharmaceutical industry, the government is diligently taking steps to promote the industry by introducing and enforcing regulations that are on par with global standards. A robust trademark protection mechanism helps to prevent the entry and circulation of counterfeit medicines, ensuring that consumers receive genuine, safe and effective products. This, in turn, safeguards brand reputation and maintains consumer trust in the pharmaceutical industry. A comprehensive approach involving legal frameworks, enforcement measures, international cooperation and public awareness is required to effectively combat trademark infringement and safeguard the integrity of pharmaceutical products.

Endnotes



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Specialist Chapter: New E-court System Aims to Simplify Proceedings and Significantly Drive Down Operational Costs in Indonesia

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IN SUMMARY

Indonesia implemented its e-court system for all Commercial Court cases in January 2023. The disputing parties in a Commercial Court case do not need to physically attend most steps of the court proceedings. Paper submissions can be sent electronically through the e-court system, and judges will render their decisions through the e-court system.

DISCUSSION POINTS

- Legal grounds for implementing the e-court system
 - Requirement to attend hearings through the e-court system
 - Advantages and disadvantages of the implementation of the e-court system
 - Technical issues that usually occur in the e-court system
-

REFERENCED IN THIS ARTICLE

- Supreme Court Regulation No. 3 of 2018 on Administration of Cases and Hearings in Courts Electronically
- Supreme Court Regulation No. 7 of 2022 on Administration of Cases and Hearings in Courts Electronically

NEW E-COURT SYSTEM FOR COMMERCIAL COURT CASES

The Civil Procedural Law adopts the principle that civil cases should be simple, fast and low-cost to provide legal certainty in any civil dispute that disputing parties can solve or settle cases swiftly and cost-effectively.

In light of this principle, Indonesia has finally implemented an e-court system, first used in 2018 for a general civil claim case. In this system, a disputing party can submit its claim through an online system without the need to physically attend court.

The legal grounds for the implementation this system were first set forth under Supreme Court Regulation No. 3 of 2018 on Administration of Cases and Hearings in Courts Electronically.^[1] It is now regulated under Supreme Court Regulation No. 7 of 2022 on Administration of Cases and Hearings in Courts Electronically (SC Regulation No. 7/2022).^[2]

After several years of implementing the e-court system for general civil claim cases, Indonesia has finally also implemented the e-court system for all Commercial Court cases, such as those dealing with suspension of payment, bankruptcy and IP cases based on SC Regulation No. 7/2022.

There are five Commercial Courts within Indonesia. On 24 January 2023, the Commercial Court at the Central Jakarta District Court implemented an e-court system for all its cases.

The disputing parties in a Commercial Court case do not need to physically attend most steps of the court proceedings. Paper submissions – such as the claim, written response, counterplea, rejoinder and written conclusion – can be submitted electronically through the

e-court system. At the end of court proceedings, judges render their decisions through the e-court system.

Physical hearings are still required at certain stages, such as for written evidence submissions and fact or expert witness examinations from the disputing parties.

REQUIREMENT TO ATTEND HEARINGS THROUGH E-COURT SYSTEM

Following the implementation of the e-court system, attorneys must now have their own e-court accounts to be able to represent their clients in Commercial Court cases.

An attorney can request an e-court account in any District Court within Indonesia. To support the request, the attorney must submit their minutes of oath and identification documents issued by the Indonesian Bar Association.

ADVANTAGES AND DISADVANTAGES

The e-court system was designed to solve Indonesia's geographic constraints to simplify the judicial system, reduce court costs, and increase public confidence in the judiciary by upholding law and justice.

With the implementation of the e-court system in Commercial Court cases, the hearing process can be more effective. This is in line with the nature of Commercial Court cases, for which there is a set time frame within which judges must issue a verdict.

Based on experience in handling cases through the e-court system and we believe that the proceedings are simpler and faster, and significantly reducing operational costs.

However, some obstacles remain before the e-court system can be fully implemented in Commercial Court cases. Often technical issues such as hearing schedules not properly appearing in the system occur. If this occurs, an attorney needs to physically attend court to resolve the problem, which entails time and cost consequences.

The Commercial Court still needs to improve the system and conduct further promotion to maximise e-court usage.

Endnotes



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Specialist Chapter: NFTs, the Metaverse and Blockchain Technology Create New Risks to Brand Protection in Singapore

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Summary

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IN SUMMARY

This article discusses how trademark owners can better protect their trademarks, unique issues that have arisen in non-fungible token (NFT) and metaverse-related trademark disputes, and the challenges that claimants face due to the unique features of blockchain technology that do not exist in traditional trademark disputes.

DISCUSSION POINTS

- Business owners should consider expanding their trademark registrations to include goods and services relating to NFTs and the metaverse
 - Legal proceedings can be commenced against defendants who are unknown
 - Given that NFTs are permanent in nature (as blockchain technology does not allow the blockchain ledger to be deleted or altered), traditional remedies may not be as effective
-

REFERENCED IN THIS ARTICLE

- Trade Marks Act 1998
- Circular No. 2/2023
- CLM v CLN & Ors
- Janesh s/o Rajkumar v Unknown Person (CHEFPIERRE)
- Juventus Football Club SpA v Blockeras Srl
- Hermès International v Mason Rothschild

INTRODUCTION

Since the start of the 2020s, the term 'metaverse' has been a buzzword. From a non-technical perspective, the metaverse may be broadly described as a network of immersive 3D virtual worlds that, among other objectives, seek to replicate the real physical world.

With the trading of cryptoassets growing in popularity at around the same time, non-fungible tokens (NFTs) have started emerging as useful tools in the metaverse. They allow for the trade of assets^[1] in the metaverse by representing digital assets on a blockchain. This aids the public tracking of ownership on blockchain ledgers (acting as verification of ownership and authenticity) and has opened a new world of possibilities in terms of monetising digital assets and content.

With these developments, the protection of trademarks, trade names and trade dress, whether in the physical or the virtual world, is of enduring relevance. New methods of trading in the metaverse using NFTs mean that traditional methods of trademark protection and trademark dispute resolution, while remaining relevant, may need to be employed in new and creative ways, and possibly extended in a principled fashion to afford adequate protection to trademark owners.

EXPANSION OF TRADITIONAL TRADEMARK PROTECTION

The Intellectual Property Office of Singapore (IPOS) issued its Circular No. 2/2023 titled 'Classification practices on Non-fungible tokens (NFTs) and Metaverse-related goods/services' on 10 February 2023,^[2] clarifying the Registry of Trade Marks's practices on the classification of goods and services for NFTs and metaverse-related applications of trademarks.

This is not unique to Singapore; new classifications have also been added to the 12th edition of the Nice Classification^[3] to cater for NFT and crypto-related goods and services. Similarly, the UK Intellectual Property Office issued Statutory Guidance PAN 2/23 on the classification of NFTs and virtual goods and services provided in the metaverse on 3 April 2023.^[4] In particular, this guidance highlights that NFTs will not be accepted as a classification term alone and that the description would need to pertain to the asset to which the NFT relates.

A common issue in traditional trademark protection that is exacerbated by the metaverse is the need to seek protection in multiple jurisdictions. In principle, trademark protection is jurisdictional in nature and a trademark registration grants the owner a statutory monopoly of the trademark only in the jurisdiction of registration. In traditional trademark protection, businesses are often advised to think ahead and seek early protection of their trademarks in jurisdictions of their business operations and jurisdictions of likely future business operations.

The metaverse, however, aims to be a seamless connected 3D virtual world accessible from anywhere in the physical world. Therefore, applying for trademarks for NFTs and metaverse-related goods and services in a single jurisdiction may not be adequate in affording satisfactory protection. Businesses may need to constantly consider and monitor whether they need to extend their trademark protection in other jurisdictions where their business may be gaining traction in the virtual world (compared to the physical world), and work out multi-jurisdictional protection and enforcement strategies. This includes seeking protection of their trademarks in locations where the businesses' servers are located and the target markets where consumers are familiar with the businesses' brands and products.

NFT AND METAVERSE TRADEMARK DISPUTES

Having the ability to conduct business operations in the virtual world through technology may seem like an exciting prospect for many businesses. It could mean increased access to a much wider customer base while being able to avoid incurring potentially significant costs associated with setting up a presence in the physical world. However, the increase in accessibility is not without its problems – just as it is easier to conduct business operations in the metaverse through technology, it is likewise easier for infringers to violate trademarks in the virtual world through technology.

The first added complication of this is that, in the virtual world, anonymity is rife. Infringers are able to make use of technology to mask their true identities and would, more often than not, use false information to prevent themselves from being tracked.

The Singaporean courts have found that legal proceedings can be commenced against persons whose identities are unknown at the time of commencement and orders can be granted against them.^[5] Claimants, however, would need to describe the unknown defendants with sufficient certainty to identify those who are included and those who are not. In the case of NFTs, such defendants can be described by referring to the wallets that had received the cryptoassets, to pseudonyms used by defendants^[6] or to the NFT itself (given that each NFT is unique).

Claimants can also consider the use of Norwich Pharmacal orders, which are court orders made against third parties requesting documents or information to assist in identifying the wrongdoer in question. Such information can be sought against providers of the accounts providing access to the metaverse service in question, the issuer of the NFT in question or the NFT marketplace displaying the NFT in question. In Singapore, such an order can be sought before claimants commence legal proceedings in court.^[7]

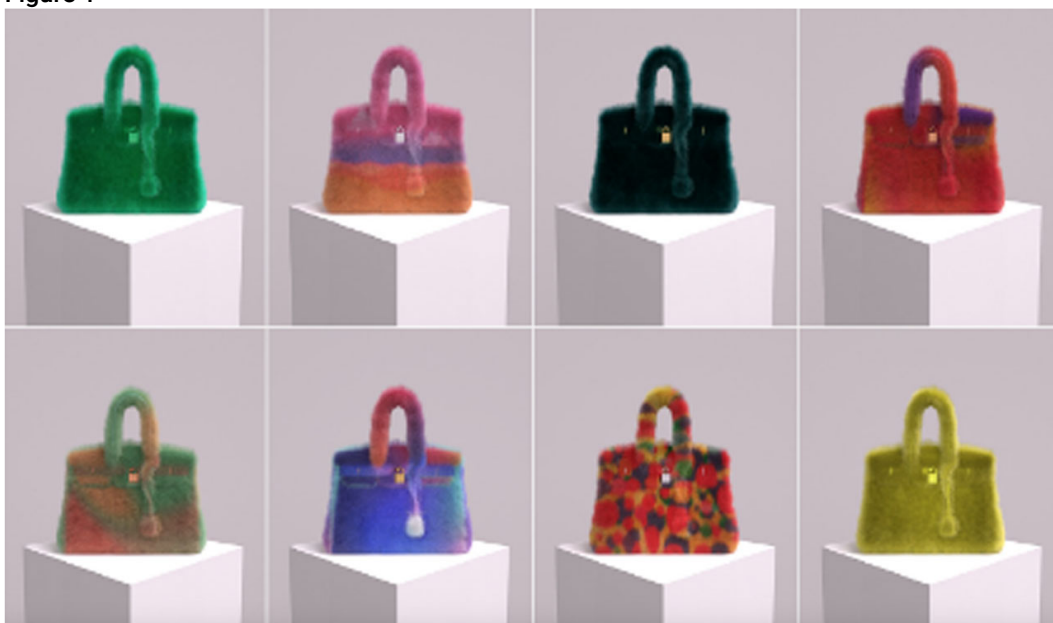
Unlike the English courts,^[8] the Singapore courts have not yet ruled on whether a Norwich Pharmacal order can be obtained against a third party located outside Singapore. It is however noteworthy that the grounds upon which the Singapore courts can permit service of court documents outside of Singapore are fairly broad.^[9]

In addition, time is required for business owners to seek expanded protection through registrations of trademarks. Given the speed at which NFT and metaverse technology is developing, business owners would most likely have to rely on existing trademark registrations in pursuing after trademark infringers. The question then is whether the scope of existing trademark registration would be adequate for claimants to do so. Although there have not been any relevant decisions in Singapore to date, claimants have succeeded in doing so in other jurisdictions.

The Court of Rome recently ruled that an existing registration for 'downloadable electronic publications' covered the sale of NFTs. Juventus Football Club SpA v Blockeras Srl^[10] concerned the use of the words 'JUVE' and 'JUVENTUS' as well as a figurative mark (a black and white striped shirt with two stars on the chest) by Blockeras in the production, marketing and online promotion of NFTs. In addition to relying on existing trademark registrations, Juventus managed to show that it had been active in blockchain-related games that had used cryptocurrencies or NFTs through agreements with other parties. In the circumstances, the Court of Rome found that Blockeras had infringed the trademarks.

In the recent US decision of Hermès International v Mason Rothschild (Hermès v Rothschild)^[11] the defendant, Mason Rothschild, created 100 MetaBirkin NFTs. The virtual bags, unlike the original Hermès bags that are typically made of leather, were depicted with fur covers.^[12]

Figure 1



Hermès is famous for its Birkin bags. It claimed that it owned the 'BIRKIN' trademark,^[13] the trade dress rights in the BIRKIN handbag design^[14] and numerous trademark registrations 'not limited to the three-dimensional design mark'.^[15]

At the time the claim was commenced by Hermès against Rothschild, Hermès' trademarks were limited to its physical goods; its 'BIRKIN' word mark was registered for leather or imitation leather goods, namely, bags; handbags; travel bags; rucksacks; wallets; card holders in the nature of wallets; leather purses; leather cases of keys; briefcase; trunks and suitcases and the trade dress was registered for handbags. A question therefore arose as to whether the previous protection for physical goods extended to virtual goods. The jury in this case did not expressly address this issue, but found Rothschild liable.

Although trademarks for goods and services specifically relating to NFTs and the metaverse ought to be registered as far as possible, if necessary, existing trademark registrations may perhaps be relied on in Singaporean trademark disputes if the factual matrix allows for it. They can be considered if existing trademark registrations are robust in terms of goods specifying downloadable files or online trading and marketplaces. For example, a business running a physical café that has registered its trademarks under Class 35 (covering marketing and advertising online) may be able to contend that its trademark protection extends to a virtual café in the metaverse (which arguably would amount to a certain degree to online marketing and advertising).

There is a question in each factual scenario as to whether an NFT depicting a trademark has been used by defendants in the course of trade. In Singapore, claimants seeking to commence action against a trademark infringer must show that the infringer had used the mark in question in the course of trade (ie, as a means of distinguishing the goods or services in question as to their origin). The use must not have been for purely decorative purposes or purely to describe the product or service in question or some element thereof.^[16] In light of this, the statutory definition of use in the course of trade is broad,^[17] covering advertising and other use where the trademark is not directly applied to the goods.

Further, in Singapore, claimants in trademark infringement proceedings would have to show that the infringing use of an identical mark in relation to similar goods or services, or both, or that a similar trademark in relation to identical goods or services, or both, gives rise to a likelihood of confusion on the part of the public.^[18]

In *Hermès v Rothschild*, Hermès submitted evidence showing that several fashion magazines (eg, *Elle* and *L'Officiel*) mistook the MetaBirkins NFTs as 'Hermès' foray into the NFT market,^[19] and confusion was also expressed by social media users.^[20] Hermès also submitted evidence in the form of a study conducted by its expert to show actual confusion.^[21]

Survey evidence can be a useful and important tool that claimants can utilise to prove likelihood of confusion. However, it is equally important to note that such surveys must be designed properly and conducted carefully. The Singapore High Court has, in this connection, provided some guidelines that claimants should take note of:

1. the interviewees in the survey must be selected so as to represent the relevant cross-section of the public;
2. the size of the survey must be statistically significant;

3. the survey must be conducted fairly;
4. all the surveys carried out must be disclosed, including the number of surveys carried out, how they were conducted and the totality of the persons involved;
5. the totality of the answers given must be disclosed and made available to the defendant;
6. the questions must neither be leading, nor should they lead the person answering into a field of speculation he would never have embarked upon had the question not been put;
7. the exact answers and not some abbreviated form should be recorded;
8. the instructions to the interviewers as to how to carry out the survey must be disclosed; and
9. where the answers are coded for computer input, the coding instructions must be disclosed.^[22]

It should also be borne in mind that claimants can, in appropriate cases, also avail themselves of the well-known trademark protection afforded under section 55 of the Singapore Trade Marks Act 1998, which states that:

A well known trade mark is entitled to protection under this section –

1. whether or not the trade mark has been registered in Singapore, or an application for the registration of the trade mark has been made to the Registrar; and
2. whether or not the proprietor of the trade mark carries on business, or has any goodwill, in Singapore.

...

1. Subject to subsections (6) and (7), the proprietor of a well known trade mark is entitled to restrain by injunction the use in Singapore, in the course of trade and without the proprietor's consent, of any trade mark which, or an essential part of which, is identical with or similar to the proprietor's trade mark, in relation to any goods or services, where the use of the trade mark –
 1. would indicate a connection between those goods or services and the proprietor, and is likely to damage the interests of the proprietor; or
 2. if the proprietor's trade mark is well known to the public at large in Singapore –
 1. would cause dilution in an unfair manner of the distinctive character of the proprietor's trade mark; or

2. would take unfair advantage of the distinctive character of the proprietor's trade mark.

Claimants can rely on this provision even if they have not registered a trademark in Singapore (much less for NFTs or-metaverse related goods or services).^[23] The test that the Singapore Court of Appeal has adopted in determining whether a trademark would indicate a connection between the claimants and defendants incorporates an element of likelihood of confusion and would yield the same result as the test applied to a claim for passing off (ie, whether the defendant in question had made a misrepresentation to the relevant sector of the public that causes that sector to be mistaken of the source, and whether that misrepresentation resulted or is likely to result in damage to the goodwill belonging to the claimant in question).^[24]

ENFORCEMENT ISSUES IN NFT-RELATED TRADEMARK DISPUTES

One significant difference between traditional trademark disputes and blockchain-related disputes is that cryptoassets created using blockchain technology are etched in the ledger in perpetuity. Deleting a cryptoasset is impossible, unlike the traditional remedy of destroying infringing goods.

Claimants can obtain an order for injunction (to stop the infringement) or for delivery up (ie, that the infringing goods be delivered to claimants), or both. However, in NFT-related trademark disputes, the NFT in question may no longer reside with the issuer. Defendants may therefore face practical challenges complying with a traditional injunctions or orders for delivery up obtained by claimants.

In *Hermès v Rothschild*, it was reported that the MetaBirkin NFTs sold for record prices.^[25] Requiring that the NFT be delivered up to put the NFT out of circulation would require that the identity of the holder be known. There may also be technical difficulties in unilaterally mandating a transfer, as the NFT holder would need to provide their private key to effect any transfer.

Claimants can therefore consider alternative remedies to ensure that the defendants do not seek to hide behind such practical concerns. One option may be to seek an injunction against marketplaces to prevent them from permitting the further sale of the NFT in question. The Singaporean courts had previously granted a proprietary injunction against a defendant, preventing that defendant from 'in any way dealing with the Bored Ape NFT, until after the trial of' the legal proceedings. OpenSea, the platform that had been offering the trading of the Bored Ape NFT, subsequently froze its sale.^[26]

Another possibility may be to require the issuer to delete the underlying asset to the NFT. As NFTs would typically link to underlying digital assets (which are, more often than not, images) and it may be that injunctions have to be sought against the host of the digital asset. This may be contrasted with a situation where tools used to manufacture infringing physical goods are delivered up or destroyed, making it much costlier for defendants to restart or continue the infringing act.

Endnotes

- 1 While it is not the focus of this article, the authors would like to highlight that ownership of the NFT does not necessarily (and, more often than not, does not) equate to ownership of the underlying digital asset. The actual rights of the NFT holder depends on the issuer of the NFT and the terms of the smart contract in question. [^ Back to section](#)
- 2 [Circular No. 2/2023](#) can be accessed via IPOS's website. [^ Back to section](#)
- 3 The [Nice Classification](#) can be accessed via the World Intellectual Property Organization's website. [^ Back to section](#)
- 4 [Statutory Guidance PAN 2/23](#) can be accessed via the UK government's website. [^ Back to section](#)
- 5 [CLM v CLN & Ors \[2022\] SGHC 46](#). [^ Back to section](#)
- 6 For example, the defendant for NFT Bored Ape Yatch Club ID No. 2162 was described by his pseudonym CHEFPIERRE in [Janesh s/o Rajkumar v Unknown Person \(CHEFPIERRE\) HC/OC 41/2022 \(\[2022\] SGHC 264\)](#). [^ Back to section](#)
- 7 *Liberty Sky Investments v Oversea-Chinese Banking Corp Ltd and anor* [2017] SGHC 20 at [19]; Order 11, Rule 11 of the Rules of Court 2021. [^ Back to section](#)
- 8 *Fetch.ai Limited and ors v Persons Unknown Category A and ors* [2021] EWHC 2254 (Comms) at [39]-[43]. There have been some changes in English civil procedure (paragraph 3.1(35), PD 6B) and it remains to be seen how this would be carried out in practice. [^ Back to section](#)
- 9 Order 8, Rule 1 of the Rules of Court 2021 read with paragraph 63 of the Supreme Court Practice Directions 2021. [^ Back to section](#)
- 10 [Docket No. 32072/2022](#), Court of Rome IP Chamber, 20 July 2022. [^ Back to section](#)
- 11 [Case No. 1:22-cv-00384-JSR dated 23 June 2023](#). [^ Back to section](#)
- 12 At [56] of the complaint filed on 14 January 2022 in *Hermès v Rothschild*. [^ Back to section](#)
- 13 Registered on the Principal Register of the US Trademark and Patent Office under Registration No. 2991927. At [26] of the *Hermès* complaint. [^ Back to section](#)
- 14 Registered on the Principle Register of the US Trademark and Patent Office under Registration No. 3936105. At [27] of the *Hermès* complaint [^ Back to section](#)
- 15 At [47] of the *Hermès* complaint . [^ Back to section](#)

- 16** Hai Tong Co (Pte) Ltd v Ventree Singapore Pte Ltd and anor and anor appeal [2013] 2 SLR 941 at [17]. [^ Back to section](#)
- 17** Section 27(4) of the [Trade Marks Act 1998](#). [^ Back to section](#)
- 18** Section 27(2) of the Trade Marks Act 1998. [^ Back to section](#)
- 19** [Hermès v Rothschild decision dated 23 June 2023](#) at page 13. [^ Back to section](#)
- 20** [Hermès v Rothschild decision dated 18 May 2022](#) at page 6. [^ Back to section](#)
- 21** Hermès v Rothschild decision dated 23 June 2023 at page 13. [^ Back to section](#)
- 22** Ferrero SPA v Sarika Connoisseur Café Pte Ltd [2011] SGHC 176 at [134]. [^ Back to section](#)
- 23** The non-exhaustive factors that the Singapore High Court would take into account in determining whether a mark is a well-known trademark is set out at sections 2(7) and 2(8) of the Trade Marks Act 1998. See also Novelty Pte Ltd v Amanresorts Ltd & Anor [2009] 3 SLR 216 at [136] [^ Back to section](#)
- 24** Novelty Pte Ltd v Amanresorts Ltd & Anor at [233]–[234]. [^ Back to section](#)
- 25** Alyssa Kelly, [‘Mason Rothschild’s ‘MetaBirkin’ NFTs Sell for Record Prices’](#), L’Officiel, 15 December 2021. [^ Back to section](#)
- 26** John Wanguba, [‘OpenSea Suspens Sale of Bored Ape NFT As A Result of Legal Case In Si ngapore’](#), NFT Games, 20 May 2022. [^ Back to section](#)



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Specialist Chapter: Courts in South Korea Zero in on Regulation of Trademark Usage in Promotional Material

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IN SUMMARY

Recent court decisions are expected to serve as important criteria for addressing future trademark infringement cases. Courts consider various factors to determine whether using a trademark on a product provided as a free promotional material without the permission of the trademark owner constitutes trademark infringement. When evaluating whether the provision of a product constitutes the use of a trademark under the Trademark Act, a comprehensive assessment is required.

DISCUSSION POINTS

- Interpreting court precedents regarding potential trademark infringement arising from providing a product as a free promotional material
 - Key factors to consider in determining whether the provision of a product qualifies as trademark use under Korean law
-

REFERENCED IN THIS ARTICLE

- Trademark Act
- Seoul Central District Court Decision No. 95Kahab3529
- [Korean Supreme Court Decision No. 98Hu58](#)
- Seoul Western District Court Decision 2019 No. 694
- Korean Supreme Court Decision No. 2021Do2180

South Korea's Trademark Act stipulates that an infringement of trademark rights is punishable by a term of imprisonment of not more than seven years or a fine not exceeding 100 million won.^[1] Under the Trademark Act, the term 'infringement of trademark rights' refers to the unauthorised use of a trademark that is identical or similar to a registered trademark on goods that are identical or similar to those designated for the trademark. Further, 'use of a trademark' covers, among others, the act of:

- displaying a trademark on goods or packaging; and
- transferring or delivering goods or packaging on which a trademark is displayed, or exhibiting, exporting, importing or engaging in any other acts for that purpose.^[2]

However, due to the lack of a precise definition of 'goods' in the Trademark Act, there have been varied interpretations regarding the scope of the above provisions. Consequently, Korean courts have held inconsistent views on whether an act of providing goods free of charge for promotional purposes constitutes the use of a trademark; however, a recent landmark ruling by the Korean Supreme Court addressed this matter, setting standards that are anticipated to serve as the basic principles for similar disputes.

COURT PRECEDENTS

Non-recognition Of Trademark Use

On 24 October 1995, the Seoul Central District Court rendered Decision No. 95Kahab3529, in which a provision of free promotional materials was not recognised as constituting the use of a trademark. The case involved Party A, who was the owner of the registered trademark 'CASS' (for which T-shirts were the designated goods) and filed for an injunctive order against Party B, the owner of the registered trademark 'CASS' (for which beverages were the designated goods). The key issue was whether Party B had engaged in trademark infringement by distributing T-shirts bearing the 'CASS' trademark to its employees free of charge as promotional material for its beer products.

The Seoul Central District Court determined that the T-shirts distributed by Party B, given free of charge exclusively to selected individuals who were involved in the relevant business operation for the purpose of advertising or promoting the sale of the products, should be regarded as an advertising medium, rather than independent goods. Consequently, the Court concluded that the act did not constitute trademark infringement.

The Korean Supreme Court made a similar interpretation in its Decision No. 98Hu58.^[3] In this case, Party D filed for a cancellation action against Party C's registered trademark 'WINK', alleging non-use of the trademark for a period of three years. During that period, Party C only used the trademark on a photo book provided as a promotional gift to its customers who had purchased its movie magazine, ROADSHOW. The Korean Supreme Court held that using a trademark on promotional materials distributed free of charge to customers for the purposes of promoting products, sales or customer services, or for similar objectives (ie, giveaways), cannot constitute use of a trademark under the Trademark Act. The Court clarified that such use can only be recognised when a trademark is used on goods that possess independent exchange value and are considered objects of a commercial transaction. Consequently, the Court deemed that Party C's use of the 'WINK' trademark had not met the necessary criteria under the Trademark Act to constitute use of a trademark, ruled in favour of Party D and cancelled Party C's trademark.

The determination of whether an act constitutes use of a trademark under the Trademark Act should consider whether a product has the potential for being commercially traded when the trademark was affixed or displayed on it, rather than focusing solely on whether the product bearing the trademark was actually traded in the market; otherwise, the use cannot be accurately evaluated as such trade is an incidental circumstance that follows the use of a trademark.

The aforementioned rulings do not offer explicit explanations for the rationale behind not recognising the exchange value of the promotional materials in question or the determination that they could not serve as independent objects of trade; however, as these rulings specifically addressed cases involving promotional materials (T-shirts and photo books, respectively) that were distinct from the trademark owners' primary objects of trade (beer and magazines, respectively), the courts appear to have determined that the promotional materials did not possess exchange value and could not be considered independent objects of trade. These determinations likely stemmed from the fact that the availability of the promotional materials was limited to a specific group of individuals and the likelihood of those individuals engaging in any subsequent trade of the corresponding products in the market was low.

Recognition Of Trademark Use

In [Korean Supreme Court Decision No. 2021Do2180](#),^[4] the Court reviewed whether the provision of products bearing another party's trademark for free constituted trademark infringement. The first-instance case was that the defendant had manufactured 1,000 towels displaying a trademark without the permission of the trademark owner. The defendant sold 200 towels to some trading partners and provided 100 towels as promotional items to other trading partners. The Seoul Western District Court considered the act of selling 200 towels to be trademark use and found the defendant guilty of trademark infringement; however, regarding the 100 towels provided as promotional items, the Court dismissed the trademark infringement charges.^[5]

In Decision No. 2021Do2180, the Korean Supreme Court overturned the Seoul Western District Court's decision and reached a different conclusion. The Korean Supreme Court determined that, based on the appearance, quality and trading status of the towels produced by the defendant, all of the towels should be considered products with exchange value and independent objects of trade. The Court emphasised that even if some of them were provided as free gifts or promotional items, it could not be disregarded that the act of displaying the trademark on the towels or transferring the towels bearing the trademark constituted trademark use under the Trademark Act. Accordingly, the Court ruled that both the act of selling 200 towels and the act of providing 100 towels as promotional items constituted trademark infringement.

Unlike previous cases where promotional materials were distinguished from the primary traded products, in this case, the promotional materials were not distinguished from the products that had already been traded and had a history of actual trading. The Korean Supreme Court has recognised that promotional materials possess exchange value as they had previously been traded in the market and, consequently, the Court has acknowledged the possibility for such materials to be further distributed as objects of trade.

CRITERIA FOR DETERMINING USE OF A TRADEMARK

Court precedents have yielded varying conclusions regarding whether the provision of free promotional items qualifies as trademark use; however, they all rely on a common criterion for judgment, namely whether the provided product possesses an exchange value and can serve as an independent object of trade.

Nevertheless, it can be challenging to definitively determine whether a particular product, when considered alone, possesses exchange value and can serve as an independent object of trade. Unless a product is obsolete or subject to special circumstances that render it legally prohibited from trade, negating its exchange value and potential as an object of trade becomes difficult.

In the cases discussed above, although a 'CASS' T-shirt may possess inherent exchange value and commercial value, its distribution was limited to individuals involved in promoting the main product: beer. Therefore, the likelihood of recipients reselling it to third parties was deemed to be significantly low. Similarly, the 'WINK' photo book was exclusively provided to consumers who had purchased the ROADSHOW magazine and its content primarily consisted of photos of actors. As a result, it was difficult to acknowledge the potential for recipients redistributing it as a commercial product.

In contrast, in Korean Supreme Court Decision No. 2021Do2180, the products in question had already been sold on the market; therefore, it was highly likely that the trading partners who had received the same towels as promotional items would commercially trade them in

the future. This factor led the Court to conclude that the provision of the towels constituted trademark use, even though it was done solely for promotional purposes.

In light of the above, when determining whether the provision of a specific product qualifies as trademark use, it is essential to consider not only the physical characteristics, type and quality of the product itself, but also the product's trading history, the relationship between the provider and the recipient, and the potential for distribution following the provision of the product.

Endnotes

- 1 Article 230 of the [Trademark Act](#). [^ Back to section](#)
- 2 Article 2, clause 11 of the Trademark Act. [^ Back to section](#)
- 3 [Decision No. 98Hu58](#) was rendered on 25 June 1999. [^ Back to section](#)
- 4 [Decision No. 2021Do2180](#) was rendered on 17 March 2022. [^ Back to section](#)
- 5 [Seoul Western District Court Decision 2019 No. 694](#), rendered on 21 January 2021. [^ Back to section](#)



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Specialist Chapter: Key Cases Spotlight Challenges of Litigating Pharmaceutical Trademarks in Germany

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Summary

IN SUMMARY

DISCUSSION POINTS

REFERENCED IN THIS ARTICLE

THE BASIS FOR LITIGATING PHARMACEUTICAL TRADEMARKS: A VALID REGISTRATION

SCOPE OF PROTECTION

MAINTENANCE OF PHARMACEUTICAL TRADEMARKS: JUSTIFICATION FOR NON-USE

OBJECTING TO REGISTRATION OF INFRINGING PHARMACEUTICAL TRADEMARKS

LIKELIHOOD OF CONFUSION

OBJECTING USE OF INFRINGING SIGNS IN THE PHARMACEUTICAL SECTOR AND CHOICE OF VENUE

PRELIMINARY INJUNCTION PROCEEDINGS

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AVAILABLE REMEDIES

EXHAUSTION: PARALLEL IMPORTS

COMBATING PRODUCT PIRACY

IN SUMMARY

Pharmaceuticals play a decisive role in society. They enhance our quality of life. Pharmaceutical trademarks are important tools for product differentiation and convey messages of product quality. This article considers the key issues around litigating pharmaceutical trademarks in Germany, including creating a valid registration, the scope of protection, justifications for non-use of trademarks and objections to registration of infringing marks.

DISCUSSION POINTS

- The basis for litigating pharmaceutical trademarks: a valid registration
 - Scope and maintenance of protection of pharmaceutical trademarks
 - Objecting to registration of infringing pharmaceutical trademarks
 - Likelihood of confusion
 - Objecting use of infringing signs in the pharmaceutical sector and choice of venue
 - Preliminary injunction proceedings and main court actions
 - Available remedies
 - Exhaustion: parallel imports
 - Combating product piracy
-

REFERENCED IN THIS ARTICLE

- *Injekt/Injex*
 - *Immunine/Imukin*
 - *CJEU, file no. C-668/17*
 - *Travatan/Trivastan*
-

THE BASIS FOR LITIGATING PHARMACEUTICAL TRADEMARKS: A VALID REGISTRATION

The conditions for registering a pharmaceutical trademark generally follow the usual criteria, including non-descriptiveness and distinctiveness. In the field of pharmaceutical trademarks, international non-proprietary names (INNs) also play a relevant role. INNs are assigned to pharmaceutical substances by the World Health Organisation so that each substance can be recognised by a unique name. INNs are needed for identification and prescription purposes and can therefore not be monopolised. They can thus be used freely as they are in the public domain. There is an absolute ground for refusal where the sign applied for is an INN or where it appears within a sign next to other arguably descriptive or non-distinctive components.

German practice has traditionally been quite restrictive, meaning that the German Patent and Trademark Office and the Federal Patent Court are rather reluctant to allow for the registration of a trademark if the underlying sign is based on a descriptive term, even if it substantially differs from it. The Federal Patent Court is rather strict when it comes to

assessing the registrability of designations seeking protection for class 5 goods. Recent examples include:

- ‘Naturesanft’ (‘nature soft’; Federal Patent Court, April 17, 2023, file no.: 26 W (pat) 527/22), where the term merely describes the condition and impact of the goods to be registered;
- ‘SoulBites’ (Federal Patent Court, March 23, 2023, file no.: 30 W (pat) 528/22); and
- ‘bio-apo’ (Federal Patent Court, December 14, 2022, file no.: 25 W (pat) 58/21), ‘apo’ here being understood as an abbreviation of ‘Apotheke,’ which is the German word for pharmacy.

If there are doubts as to whether the office would allow for the registration of a certain designation, it may be recommendable to add a sufficiently distinctive figurative or word component.

SCOPE OF PROTECTION

Nevertheless, pharmaceutical trademarks with a relatively low level of distinctiveness have still proved efficient tools by which to oppose similar applications. In its judgment of 6 February 2020 (file no.: I ZB 21/19 – Injekt/Injex), the German Federal Supreme Court held that when examining the similarity of signs, descriptive elements cannot be excluded from the outset. However, they must be taken into account when examining the overall impression of the conflicting signs. In the case of Injekt/Injex, it was not only the final consonants ‘KT’ and ‘X’ that were to be considered as the decisive elements. With this judgment, the Federal Supreme Court may have strengthened weak trademarks.

MAINTENANCE OF PHARMACEUTICAL TRADEMARKS: JUSTIFICATION FOR NON-USE

In its judgment of 3 July 2019 in case C-668/17 P, the ECJ held that a clinical study carried out in order to prepare an application to authorise a new medicinal product cannot be used to justify the non-use of a trademark. A clinical trial may be a legitimate reason for non-use of a trademark only where the use is impossible or unreasonable. This obstacle must be independent of the will of the trademark owner. However, it must be noted that the application for conducting the clinical trial was filed more than three years after registration of the trademark at issue. Hence, clinical trials still can constitute a justification for non-use (see German Federal Supreme Court in Immunine/Imukin) in other factual constellations. Yet the trademark owner must always substantiate and prove that there was no delay in furthering the admission procedure.

OBJECTING TO REGISTRATION OF INFRINGING PHARMACEUTICAL TRADEMARKS

Cancellation of a registered trademark is usually sought by filing an opposition within the relevant opposition deadline. Since 2020, invalidity proceedings based on prior rights have also become available before the German Patent and Trademark Office. This is particularly relevant when the opposition deadline has already passed. Before 2020, a cancellation action based on prior rights had to be initiated before the civil courts. The new invalidity proceedings are more cost efficient, but they tend to last longer.

LIKELIHOOD OF CONFUSION

In opposition, invalidity or infringement proceedings, the most relevant issue is often the likelihood of confusion. In this context, the following aspects play an important role.

The Relevant Public And Its Level Of Attention

As in many countries, the relevant public comprises both the public at large and health professionals such as physicians or pharmacists. The common denominator of all cases in this field is that the level of attention is at least average, or even higher than average, since pharmaceuticals are considered important products due to their impact on health. An average level of attentiveness can only be stated in cases of over-the-counter products where the consumer does not pay too much attention to the brand at issue. All in all, the principal reasoning established by the CJEU in the Travatan/Trivastan case (C-412/05) still applies.

Similarity Of Goods And Services

Finding a similarity between goods that are all classified in class 5 is sometimes not as easy as it would seem. Pharmaceuticals with different purposes of treatment can be held to be dissimilar, for example. On the other hand, pharmaceuticals (eg, specific ointments) and cosmetic products will be likely considered similar to each other due to the fact that they are complementary. In addition, cosmetic products can – under certain circumstances – have a medical purpose.

The aspect of complementarity was discussed in a decision issued by the Fifth Board of Appeal on 2 June 2023 (file No.: R 2071/2022-5). Here it was held that goods are complementary if there is a close connection between them in the sense that one good is indispensable or important for the use of the other, so that consumers (ie, patients) might think that responsibility for producing them lies with the same undertaking. Therefore, in assessing whether goods are complementary, the relevant public's perception of the importance of a particular good or service for the use of another good or service must ultimately be considered. Yet it was also held that since the specific arrangements for marketing the goods or services in question may vary over time and according to the wishes of the trademark owners, they could not be considered in a future analysis of the likelihood of confusion. It can be assumed that this reasoning only applies to matters of opposition or cancellation, as the specific arrangements for marketing of goods are often important in the context of assessing the similarity of goods when it comes to infringement.

Nevertheless, there is no strict legal rule that can be generalised. One issue that has become important in practice is the similarity between pharmaceutical products and medical services in class 44. This is because pharmaceuticals are regularly administered when medical services are provided. This somewhat broadens the scope of protection for pharmaceutical trademarks.

Finally, the broader scope of protection for pharmaceutical trademarks becomes even more apparent when offices or courts are dealing with the question of similarity between retail or wholesale services in the fields of pharmacy, medicine and health on the one hand, and pharmaceutical preparations on the other. The Federal Supreme Court stated some time ago that it is sufficient for the assumption of similarity if the services relate to the corresponding goods and the target public assumes on the basis of this relationship that the goods and services originate from the same companies. This could even be assumed for the relationship between goods and their related retail services if large trading houses in the relevant goods sector also offer goods with their own trademarks in addition to the sale of third-party goods. These conditions can be met in cases like the one described before (see Federal Patent Court, decision 29 W (pat) 37/17, 11 March 2020).

OBJECTING USE OF INFRINGING SIGNS IN THE PHARMACEUTICAL SECTOR AND CHOICE OF VENUE

After a trademark owner has successfully fought the registration of a trademark, the owner of the challenged trademark will nevertheless commence or continue to use it. In case a trademark owner then wishes to also object to the use of the infringing sign, the first step is a cease and desist letter, containing a request for discontinuation of use, assertion of claims for information as to source and generated turnover, compensation of damages and the reimbursement of attorney's fees. If the infringer does not follow this request, the trademark owner must first decide in which court to bring an infringement action. In trademark matters, the district courts are competent and many of them are the right venue where the claim is based on a German trademark. Somewhat fewer district courts are competent where the claim is based on an EU trademark (Düsseldorf is the EU Trademark Court in North-Rhine Westphalia, for example, but not Cologne, where, on the other hand, infringement actions based on German trademarks can be brought). In most cases, the infringing product is available all over Germany, meaning that the court action can be brought before any district court.

PRELIMINARY INJUNCTION PROCEEDINGS

Whether to choose the Munich, Düsseldorf, Berlin, Braunschweig, Mannheim or Hamburg District Court largely depends on how much time has passed since the trademark owner first had knowledge of the infringing act. Some courts (eg, Munich and Cologne) do not consider there to be the required urgency in preliminary injunction matters if the claimant has had knowledge for more than one month. Other district courts (eg, Düsseldorf and Hamburg) are more generous and allow for urgency even if up to six or even eight weeks have passed. Such tactical considerations can be very important for building the right strategy.

MAIN COURT ACTIONS

If preliminary injunction proceedings are not an option, a main court action can be initiated. The main difference from preliminary injunction proceedings is that all facts that are contested by the defendant must be proven and not just made credible. The time frame is also considerably longer.

AVAILABLE REMEDIES

Alongside the traditional claim to cease and desist from using an infringing sign, the German Federal Supreme Court has, in the last few years, confirmed the obligation of the infringer to recall the objected products as part of that claim. The 'recall' claim can cause considerable detriment to the infringer, making it an effective weapon, especially if the parties enter into negotiations.

EXHAUSTION: PARALLEL IMPORTS

In the field of pharmaceutical products, a company will often import an original medicine from another EU or EEA member state into Germany and then place it on the market next to the higher priced original. The parallel importer benefits from the price differences in the pharmaceutical market. In many cases, the imported pharmaceuticals are also given new packaging. A large number of complex cases could be referred to here.

In 2019, the so-called Falsified Medicines Directive came into force. There exists a tension between the rights of the trademark owner and the requirements for the free movement of

goods in the EU internal market. With the arrival of the Falsified Medicines Directive, the safety of medicinal products comes into play. According to the directive, all prescription medicines must be provided with a product code that makes each product uniquely identifiable, and an anti-tampering device (ATD). Using the product code, the whereabouts of each individual drug can be tracked within the entire logistics chain.

The CJEU has issued landmark judgments that serve as clarification in particular with regard to the differentiation between reboxing and relabelling in view of the new anti-falsification rules (see Cases C 224/20, C 253/20 and C 254/20). The judgments have as their object under which circumstances the Falsified Medicines Directive permits parallel importers to completely repackage medicines. According to the CJEU, articles 9(2) and 15 of Regulation 2017/1001 and articles 10(2) and 15 of Directive 2015/2436, read in conjunction with articles 34 and 36 of the TFEU, must be interpreted as meaning that the proprietor of a trademark is entitled to oppose the marketing, by a parallel importer, of a medicine repackaged in new outer packaging to which that trademark is affixed where the replacement of the anti-tampering device of the original outer packaging carried out in accordance with article 47a(1) of Directive 2001/83 would leave visible or tangible traces of that original outer packaging having been opened, provided that:

- there is no doubt that those traces of opening are attributable to the repackaging of that medicinal product by that parallel importer; and
- those traces do not cause, in the market of the member state of importation or in a substantial part of it, such strong resistance from consumers to the repackaging that it would constitute a barrier to effective access to that market.

When repackaging medicinal products, the original packaging must therefore be reused as a matter of priority, even if an ATD leaves visible, palpable traces of opening after it has been repackaged. The CJEU found that the owner of a trademark can oppose a parallel import “where that product has been repackaged in new outer packaging to which the trademark of the reference medicinal product has been affixed”. It is said that these judgments favour the owners of pharmaceutical trademarks, even if they leave room for argumentation in individual cases. As a result, a trademark owner can principally oppose the repackaging by a parallel importer of an original product in new external packaging (known as ‘reboxing’) where the parallel importer is able to create packaging which may be marketed in the member state of importation simply by affixing new adhesive labels to the original secondary packaging (ie, ‘relabelling’).

COMBATING PRODUCT PIRACY

Counterfeiting in the field of medicinal products is a threat to public health and causes economic and social damage. Useful measures against parallel imports are to apply for custom seizures according to EU Regulation 608/2013. If parallel imported products are detained, the trademark owner is required to initiate legal proceedings against the alleged infringer. The procedure is simple and favours the trademark owner. In case of detention, the shipment is seized and will not be put on the market if the trademark owner confirms that the seized pharmaceuticals are counterfeit. If the purchaser does not object, then the seized goods will be destroyed without further need for action from the trademark owner. This is the so-called simplified procedure. However, if the recipient files an objection against the seizure, a trademark infringement action must be initiated with the civil courts. As wilful trademark infringement is punishable under German criminal law, trademark owners

can file – in parallel – a criminal complaint. Experience shows that criminal action is not as efficient as civil action, however, simply because the somewhat understaffed public prosecution authorities are often unable to have a clear focus on criminal complaints relating to trademark infringements.

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Germany: Audi Finds Success and Tech Applications on the Rise amid Case Law Updates on the Scope of Preliminary Injunctions

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Summary

IN SUMMARY

DISCUSSION POINTS

REFERENCED IN THIS ARTICLE

INJUNCTIONS AT GLANCE

ARE EX PARTE PRELIMINARY INJUNCTIONS STILL POSSIBLE IN GERMANY?

FORUM SHOPPING

RECALL VIA PRELIMINARY INJUNCTIONS

EMERGING TRENDS

RECENT POLICY UPDATES

DAMAGES AND HOW THEY ARE CALCULATED

MAJOR RECENT CASE OUTCOMES

IN SUMMARY

This article focuses on the latest developments in German trademark law and provides an overview on obtaining preliminary injunctions in Germany.

DISCUSSION POINTS

- Latest case law developments on preliminary injunctions and scope of injunctions
- Coverage of new technologies in German trademark filings
- New case law concerning trademarks in the automotive sector

REFERENCED IN THIS ARTICLE

- Law on Amendments of German Trademark Law of 1 May 2020
- Decision of Federal Court of Justice on burden of proof in cancellation procedures of 14 January 2021, I ZR 40/20
- S 6 v S 8, Decision of Munich Regional Court of 19 January 2023; 1 HK O 13543/21

INJUNCTIONS AT GLANCE

Preliminary injunctions – are they available, how can they be obtained?	Preliminary injunctions are available. The rights holder needs to file a written application with a competent German civil court within a short period of time after becoming aware of the relevant infringement. The court can reject the application, order an oral hearing or grant the injunction without oral hearing, ex parte.
Permanent injunctions – are they available, how can they be obtained?	Permanent injunctions are available. The rights holder needs to file a written application with a competent German civil court. The court will usually ask the defendant to file a defense writ. Afterwards the court will usually order an oral hearing.
Is payment of a security/deposit necessary to secure an injunction?	Generally not. Only under rare circumstances may the competent court ask the right holder to pay a security deposit for the enforcement of the injunction (not its grant). Additionally, and also only under rare circumstances, a court can grant an injunction even if it is not convinced of the infringement at first glance if the alleged right holder pays a security deposit.
What border measures are available to back up injunctions?	Border measures for imports of trademark infringing products from non - EU countries

are available after the confirmation of an infringement via a German court case.

ARE EX PARTE PRELIMINARY INJUNCTIONS STILL POSSIBLE IN GERMANY?

Before 2018, preliminary injunctions on an ex parte basis were the rule and not the exception in Germany. They were often used tactically in trademark litigation to reach a settlement. In its decisions of 2018 and 2020, the German Constitutional Court put an end to this practice, declaring ex parte preliminary injunctions to be unconstitutional. In most cases it required that the defendant be heard based on the procedural right of equality of arms.

However, even after this paradigm shift, ex parte injunction is still possible in a limited number of cases. These include:

- sequestration cases (eg, piracy), since the warned defendant would otherwise dispose of the objects to be seized; and
- cases where the hearing of the defendant would delay the issuance of the preliminary injunction in a way that would prevent a timely prohibition, for example if an appearance at a trade fair is imminent.

In cases where neither of these exceptions apply, the defendant will need to be heard, either in a court hearing or, in cases of great urgency, through submitted written comments.

However, there is one further exception that almost permits a continuation of the old practice. This is if the defendant has received a cease and desist letter coinciding with the claim that is at the base of the preliminary injunction process, and the defendant's answer to this letter is submitted to the court by the plaintiff. In this case, the court may continue on an ex parte basis.

With this in mind, clients should consider from the very beginning of a potential infringement matter the strategic advantages of an ex parte injunction, among other possible enforcement options. Likewise, clients should be prepared with a defensive strategy that includes the option to pro-actively submit a so-called protective writ against ex parte preliminary injunctions in case of an anticipated dispute. However, an unwisely filed protective writ may easily backfire. The court may issue an ex parte injunction despite the arguments brought forward in the protective writ. In doing so it may indicate to the plaintiff that they have a particularly strong position and therefore little to fear in fully enforcing their rights. As a consequence, the defendant may expect an uphill battle at the appellate level with only a remote chance of reversing the decision.

FORUM SHOPPING

There are many reasons why one would want to choose where to initiate proceedings. Some countries may be more trademark owner-friendly or may tend to make decisions coinciding with what the applicants seek to achieve. Other countries may favour the trademark owners of specific industries (eg, automotive vs spare part producers). However, German courts are generally known for their speediness and well-reasoned decisions, and the relatively low court and attorney fees involved. For a multi-jurisdictional dispute, it may also be strategically advantageous to get a decision in a major EU market first in order to increase the leverage for settlement discussions. Here again, a clever use of the ex parte preliminary injunction system within Germany may allow one to get ahead of respective disputes in other countries. Within Germany itself, one must consider which court to address. In particular, the so-called

urgency requirement for preliminary injunctions may significantly differ from one court to another.

For German courts to have international jurisdiction in trademark infringement cases, there needs to be a commercial effect in Germany. In order for the commercial effect to be fulfilled, the German Federal Court requires that the infringing acts be clearly aimed at the German public or the German market. This could be expressed, among other ways, by an offer in the German language, by the provision of German contact details or by the acceptance of German currency. Some lower courts have deviated from this case law, however. They state that the mere fact that the infringing promoted product was delivered to Germany after a test purchase was sufficient to assume a relevant 'commercial effect' for an international jurisdiction of German courts and a trademark infringement in Germany. It will be interesting to follow the case law trend in this regard.

If a client wishes to know whether it might be suitable and/or admissible to file an injunction lawsuit in Germany we can give guidelines on the chances of German courts to assume their jurisdiction and which court in Germany might be the most beneficial for the intentions of the IP holder.

RECALL VIA PRELIMINARY INJUNCTIONS

Is it possible to ask for a recall via preliminary injunctions in Germany? The short answer is: technically, no; however in practice, yes. Thus, there is a high risk that the recipient of a preliminary injunction is in a de facto recall situation. In 2017 the Federal Court of Justice established that the cease and desist obligation is not limited to mere inaction but could also include a recall. A full recall of infringing goods cannot be requested in preliminary injunction procedures, however, as this would anticipate the decision on the merits. However, a subsequent decision by the Federal Court stated that something similar to a 'recall light' might also be included in a cease and desist decision at the level of a preliminary injunction. Therefore, and in general, the infringer may not only have to remain inactive after receiving a cease and desist title in preliminary injunction cases but also have to take some action regarding their distribution network. More specifically, the infringer might be obliged to take any reasonable and appropriate measures necessary to prevent further acts of infringement for the time being. The infringer might therefore need to contact their distribution network, inform them about the preliminary injunction decision and ask them to stop the sale of the infringing products. Naturally, the distributor will invite the infringer to recall its products.

This case law signifies a high risk for the infringer in preliminary injunction infringement cases as their reputation might be tarnished substantially just by performing the recall light. But the IP holder also faces substantial risks should the cease and desist claim subsequently turn out to be unjustified.

As the recall light is – as per case law – already included in the cease and desist decision of a preliminary injunction, it is advisable for the IP holder to communicate both to the court before a decision is issued and to the infringer after the decision has been granted whether he wishes the infringer to actually perform the recall light. In some cases, where the IP holder wants to create as much leverage as possible and/or is entirely sure that the decision will also stand in appeal procedure or main proceedings, he might wish to proceed with the recall light. In other cases, where the validity of the decision might be questioned and/or the risk of damage is too overwhelming should the first instance preliminary decision be overturned, the IP holder might explicitly exclude the recall light from their claims.

IP holders should think about the possibility of a recall light in preliminary injunction procedures and look into ways to introduce this claim at a very early stage – that is, before sending a cease and desist letter. Potential infringers should be aware of the additional risks that may emanate from a recall light. These should be taken into account when there is room for an amicable settlement during a preliminary injunction case.

EMERGING TRENDS

Many companies are exploring technologies such as virtual and augmented reality, along with experiences through web3, blockchain and metaverse platforms. These technologies might also connect with physical items using near-field communication (NFC) technology. As a result, trademark applications in these areas are becoming more important. Because trademark offices (including the German Patent and Trademark Office) offer somewhat conflicting guidance and there is limited court precedent, the best practices for filing applications are still evolving.

Clients should carefully examine their specific use-cases in relation to new technologies. This will help determine appropriate goods and services in German trademark applications beyond the typical classes of 09 and 42. Doing so will provide stronger protection in this rapidly developing field.

RECENT POLICY UPDATES

Since 1 May 2020, in line with the requirements of EU law, it has become possible to initiate cancellation proceedings on the grounds of earlier rights or the non-use of a trademark before the German Patent and Trademark Office and not, as was previously the case, only by filing an action before a court. While an action before the court is still possible, the new administrative proceedings allow for a more cost-efficient alternative, since there are no court costs involved. The burden of proof has also changed. According to the Federal Court of Justice, implementing applicable EU law, the owner now bears the burden of proof for genuine use (Decision of 14 January 2021; I ZR 40/20). This applies to both cancellation proceedings before the German Patent and Trademark Office and court proceedings.

As to the question of which of the two proceedings to choose, it is recommended to do so strategically. This is particularly true with regard to costs, since in court proceedings – in contrast to administrative proceedings – the costs are typically imposed on the losing party. Thus, if one is relatively certain of success, cost pressure can be an argument in favour of court proceedings. If the prospects of success are unclear, however, office proceedings may be the more favourable alternative.

DAMAGES AND HOW THEY ARE CALCULATED

Under German law, the injured party may, at their choice, claim damages for IP rights via three different means. They may:

- calculate specifically the damages, including loss of profit;
- claim the infringer's unjust profit; or
- claim payment of a customary licence fee in similar cases.

Due to the problems of proof that typically accompany the first two methods, the third variant is typically chosen. If there are no specific indications of comparable licensing arrangements, this is performed by means of an estimate by the court.

In a recent decision, the Federal Court of Justice (Decision of 16 December 2021; I ZR 201/20) held that it is not possible for the injured party to claim a license fee following a trademark infringement if, based on their licensing practice, they always granted free licences to their licensees. This case shows that the calculation of damages in German law is highly dependent on the circumstances of the individual case. We would therefore recommend making full use of all possible potential for argumentation, and to research the facts and comparable cases in order to guide the court in the desired direction.

MAJOR RECENT CASE OUTCOMES

The German car manufacturer Audi has been successful in a trademark proceedings against the Chinese manufacturer Nio. The Munich Regional Court found that there is a risk of confusion between the trademarks 'S 6' and 'S 8' registered by Audi and 'es 6' and 'es 8' used by Nio for its cars (Decision of 19 January 2023; 1 HK O 13543/21). This results from a possible conceptual association by the public. The appearance of the company name 'Nio' in advertising would have to be disregarded in this respect in accordance with the ECJ Thomson Life doctrine. The challenged mark would recognisably be a motor vehicle type as it is customary in the automotive sector in the sense of secondary marks. Here, the additional letter 'e' would not sufficiently ensure distinctiveness. It had to be assumed that a considerable portion of the public would misunderstand the 'e' as an indication of the vehicle's engine type of the vehicle: the letter is commonly used as an abbreviation for electric or electronic. The expansion of e-mobility would be an important matter of interest in society. A motor vehicle that has an electric motor may not only be called an electric car, but also very often an 'e-car'. Hence there was a risk that consumers would assume that the 'es 6' was the 'S 6' in an electric version, and that the two vehicles were from the same manufacturer.

Clients should always run clearances designed specifically around their case (eg, knock-out searches, full similarity searches and/or country cluster searches) in order to identify potential risks in trademark searches at an early stage. This involves little cost and may avoid the risk of an expensive rebranding. This is even more relevant because the German market is a significant European market in which any companies generate a large part of their turnover in the EU.



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Poland: Amends to Civil Procedure Code Act to have Serious Impact on Enforceability

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IN SUMMARY

The article presents the essential features of court proceedings in cases of trademark infringement and the remedies available to rights holders. Attention is paid to interim injunctions and recent legislative changes. The article also outlines some of the most important judgments and issues with which Polish courts have recently dealt.

DISCUSSION POINTS

- Preliminary injunction in a snapshot
- New procedural rules are not favourable for IP owners
- Generous compensation rules
- Rules for parallel import of medicinal products are still unclear
- Specific statute of limitations on non-pecuniary claims
- Polish referrals to CJEU

REFERENCED IN THIS ARTICLE

- [Polish Supreme Court, Case No. II CSKP 457/22 \(6 May 2022\)](#)
- [Polish Supreme Court, Case No. III CZP 30/20 \(18 May 2021\)](#)
- Polish Supreme Court, Case No. No. II CSKP 104/22 (22 June 2022)
- Polish Supreme Court, Case No. II CSKP 457/22 (6 May 2022)
- [CJEU, Case No. C-355/21 \(13 October 2022\)](#)
- [CJEU, Case No. C-628/21 \(27 April 2023\)](#)
- [Warsaw Regional Court, Case No. C-334/22 \(22 February 2022\)](#)

5 KEY NEED TO KNOWS

Injunctions at a glance	
Preliminary injunctions – are they available, and how can they be obtained?	Preliminary injunctions can be obtained either before or in the course of trademark infringement proceedings. The applicant must demonstrate a high probability of infringement and the threat of non-recoverable losses should the injunction not be granted.
A preliminary injunction is issued for the duration of the trademark infringement proceedings. The court must rule promptly on the injunction request, within one week of receiving it. The injunction may be reversed or changed at any time by the court at the request of the obliged party if the reason for the injunction ceases to exist or changes.	Resale price maintenance; non-competes clauses in joint production agreements

Permanent injunctions – are they available, and how can they be obtained?	Only a final and binding judgment issued by the court can constitute a permanent injunction. A preliminary injunction is issued for the duration of the trademark infringement proceedings. However, it may be reversed or changed at any time by the court at the request of the obliged party if the reason for the injunction ceases to exist or changes.
Is payment of a security/deposit necessary to secure an injunction?	Although payment is not necessary by default, the court may decide otherwise, either on its own initiative or at the request of the obliged party.
What border measures are available to back up injunctions?	The right holder can submit an application to Customs to take action with respect to goods crossing EU borders that are suspected of infringing the applicant's trademark. This is based on EU Regulation 608/2013 (12 June 2013).

WHAT'S NEW?

The most significant policy updates in the past year concern the recent amendment to the Civil Procedure Code Act (17 November 1964), and in particular the regulations on preliminary injunctions in IP cases. These changes do not relate directly to trademark rights, but they have a serious impact on the enforceability of these rights as injunctions play a key role in IP litigation disputes. As of 1 July 2023, the following apply to proceedings on granting preliminary injunctions in IP cases:

- the former ex parte model has been changed to an inter partes model, with a hearing of the obliged party (potential infringer) by the court before issuing a preliminary injunction is now mandatory, with two exceptions to this rule:
 - the court will not be obliged to hear the obliged party if it considers that it is necessary to immediately decide on the injunction; and
 - the requested injunction is to be performed only by the bailiff, for example by seizing the goods;
- the right holder is required to inform the court in the injunction request whether proceedings for invalidation are or have been pending against his exclusive right, and the court deciding on the injunction should take into account the likelihood of invalidation of this right; and
- an injunction request must be submitted no later than six months from the moment of obtaining knowledge about the IP infringement. Otherwise, the request will be automatically dismissed by the court.

It is notable that since these changes have been made, trademark rights infringement cases have been settled in a dedicated procedure before specialist departments of the common courts. Five departments were created in the regional courts of Warsaw, Gdańsk, Katowice, Lublin and Poznań to act as first instance courts, and two departments were created in the

Courts of Appeal of Warsaw and Poznań to act as second instance courts. Cases with more complicated technical matters concerning computer programs, inventions, utility models, topographies of integrated circuits, plant varieties and technical trade secrets fall within the exclusive jurisdiction of the Regional Court of Warsaw.

Furthermore, the IP procedure provides for three types of discovery claims, which implement article 7 of the EU Directive 2004/48 (29 April 2004):

- securing the means of evidence – this refers to certain materials that would demonstrate the scope of the infringement and allow evidence to be produced in any future IP litigation. There is no obligation to specify in the request the facts that are meant to be proven;
- disclosure or issuing the means of evidence – in this case, the claimant must demonstrate that certain means of evidence, in particular banking, financial or commercial documents, are at the defendant's disposal; and
- request for information – the scope of information necessary to pursue an IP claim is limited to data on the origin and distribution networks of goods or services.

The aim of these claims is to discover the circumstances of the IP-related infringements and to secure certain materials that could later serve as evidence in the related infringement litigation.

An IP-specific claim exists that applies in infringement cases regarding trademarks and provides the possibility for a counterclaim based on the invalidation or expiry of the trademark right in civil proceedings. Before the establishment of IP courts, invalidity and expiry requests were reviewed only by the Polish Patent Office in administrative proceedings. Now there are two alternative ways to achieve this. To avoid re-examining the same case, the IP procedure regulations stipulate the conflict rules between the IP courts and the Polish Patent Office (including the obligatory suspension of civil proceedings). By this means, domestic regulations on invalidation or expiry of Polish trademark rights proceedings are now more similar to the regulations on EU trademark rights from the EU Regulation 2017/1001 (14 June 2017).

The establishment of special IP courts in Poland has brought many consequences for trademark rights holders seeking judicial protection. The most important is the concentration of all IP cases to just five regional courts. First, this restricts to a large extent the choice of courts where IP proceedings can be initiated. And second, it may also improve the unification of trademark rights case law: previously, cases were considered by 48 regional courts across the country. Therefore, we can expect more clarity in the judicial interpretation of trademarks rights regulations. This would to some extent make it easier for entrepreneurs to conduct business activity, as it would bring more certainty to the outcome of IP cases. Surprisingly, these changes have not yet resulted in a reduction in the time it takes to obtain a decision at first instance, as measured from the time of the initiation of proceedings. Nevertheless, introducing regulations designed to lead to greater specialism on the part of the courts in IP matters was certainly a good step towards bolstering the level of protection of IP rights holders.

PRELIMINARY INJUNCTIONS

Preliminary injunctions are available to both parties of trademark infringement proceedings. These take the form of securing the claims of each party or participant in the proceedings.

Since specific regulations on evidence are not fully applicable, the applicant need only demonstrate a high probability of infringement, which is a lighter requirement than the burden of proof. Additionally, the applicant must have a legal interest in granting a preliminary injunction, meaning that, without the injunction, the applicant would face a serious threat of non-recoverable losses, or that the enforcement of a judgment would be prevented or significantly hindered.

Nonetheless, the granted injunction cannot satisfy the claim. The applicant can instead request a preliminary injunction to secure a pecuniary claim or a non-pecuniary claim. A pecuniary claim can be secured by, in particular:

- seizure of movable property, remuneration for work, bank account receivables or other receivables or other property rights; or
- encumbrance of real estate with a compulsory mortgage.

In the case of securing non-pecuniary claims there is an open catalogue of available measures, since the court grants whatever injunction it considers appropriate in the circumstances. In disputes concerning the infringement of trademark rights, the defendant is usually prohibited from introducing to the market goods marked with the disputed trademark or conducting advertising activities. A ruling is also often made to seize the stored goods marked with the disputed trademarks, as well as to destroy or remove those marks.

As mentioned earlier, the recent amendment to the Civil Procedure Code Act on preliminary injunctions changed the model of injunction proceedings. Previously, proceedings were carried out *ex parte* so the defendant did not participate in proceedings until the decision to grant a preliminary injunction was served on them. However, there was a way to present the defendant's arguments to the court before the decision was granted. If the defendant learnt that a motion for a preliminary injunction was being submitted to the court, they could file a brief containing their arguments and this should be taken into account by the court. However, this method wasn't based on any applicable regulations and consequently it wasn't accepted by all courts.

Under the present rules, a preliminary injunction cannot be granted before a mandatory hearing of the obligated party (the potential infringer). This substantial change leads to an *inter partes* model of injunction proceedings. However, as mentioned above, there are two exceptions to the mandatory hearing rule: if the court considers it necessary to rule immediately, and if the injunction is to be performed by the bailiff (eg, by seizing property).

There is also a deadline for submitting an injunction request – up to six months from the moment of obtaining knowledge about the IP infringement. Overdue requests will be automatically dismissed. The applicant must also inform the court whether proceedings for invalidation are or have been pending against his exclusive right, and the court should consider the likelihood of invalidation.

The new regulations are certainly beneficial for the defendants as they provide more opportunities to defend against allegations of IP rights infringement. However, the probability of a preliminary injunction being granted is unquestionably lower than before. The surprise effect of an injunction, which has always had a significant role in IP rights enforcement, has been diminished.

If any party is not satisfied with a decision on granting the injunction, they can appeal to the court of second instance. If the injunction was granted by the court of appeal during appeal proceedings, the appeal will be decided by a panel of different judges from the same court. Previously, the injunction appeal was assigned by default to a different judicial panel from the same court that issued the injunction. This was seen as highly controversial and inefficient: doubts arose as to whether judges from the same court were willing to lift injunction decisions made by their colleagues. Fortunately, this regulation has recently been changed such that an appeal against the injunction decision is now assigned to the court of the second instance. This brings more confidence in a just appeal decision.

Once an injunction has been granted, the court may decide, on its own initiative or at the request of the obliged party, that its enforcement depends on the submission of the security or deposit by the entitled party. This typically happens in cases where it is likely that the obliged party will suffer significant damage as a result of the injunction and unlikely that the entitled party will be financially capable of remedying those damages in a potential compensation case.

LATEST JURISDICTIONAL TRENDS

Remedies In Civil Proceedings

The holder of a trademark right may request the infringing party to cease the infringement and claim a monetary amount corresponding to the unfairly obtained benefits. In the case of faulty infringement, following EU Directive 2004/48, the holder of a trademark right can also claim compensation in the form of a lump sum, calculated on the basis of the royalty fee that the infringer of the trademark right would have to pay if they wanted to use the sign lawfully. The choice of whether to claim compensation on general principles or as a lump sum based on the royalty fee belongs to the holder and does not require any further criteria or justification. This solution is appropriate for many national legal systems that have implemented the enforcement directive in their legislation. A particularity of Polish law, however, is that, aside from compensation, the holder can also claim a monetary amount corresponding to the unfairly obtained benefits. Punitive damages are not allowed. Recently, in its judgment of 22 June 2022 (case No. II CSKP 104/22), the Supreme Court confirmed that the amount of unfair benefits that the holder can demand for the infringement of the trademark right is not exhausted by the amount of the saved expense – that is, the royalty fee that the infringer should have paid – but also includes the profits achieved by the infringer as a result of the unlawful infringement of the trademark. Polish law is therefore favourable to the right holder in this respect, because by claiming a lump sum compensation and unfairly obtained benefits, they can in fact demand a double license fee. Since claiming compensation as the equivalent of a license fee is much easier than claiming compensation on general terms, it seems that the possibility of cumulation is an attractive solution for the right holder under Polish law.

In addition, the holder of a trademark right can request the publication of the court judgment or information about the judgment in the form specified by the court.

The Industrial Property Law Act (30 June 2000) permits the holder of a trademark right to make additional claims. These are:

- a right to prevent all third parties from bringing goods, in the course of trade, into Poland, without being released for free circulation there, where such goods, including their packaging, come from third countries and bear without authorisation

- a trademark that is identical to the trademark registered in respect of such goods, or that cannot be distinguished in its essential aspects from that trademark;
- if there is a risk that the packaging, labels, tags, security or authenticity features or devices, or any other items to which the trademark is affixed, could be used in relation to goods or services and that use would constitute an infringement, the holder has a right to prohibit:
 - affixing a sign identical with, or similar to, the trademark on packaging, labels, tags, security or authenticity features or devices, or any other items to which the mark may be affixed; or
 - offering or placing on the market, or stocking for those purposes, or importing or exporting, packaging, labels, tags, security or authenticity features or devices, or any other items to which the mark is affixed;
 - if there is a reproduction of a trademark in a dictionary, encyclopaedia or similar reference work, in print or electronic form, which gives the impression that it constitutes the generic name of the goods or services for which the trademark is registered, the publisher of the work is obliged, at the request of the holder, to ensure that the reproduction of the trademark is accompanied by an indication that it is a registered trademark.

The abovementioned claims can also be made against a party that offers labelled products that were not obtained from the holder of a trademark right or the person authorised to use the trademark, as well as against parties whose services were used in the course of the infringement.

MAJOR CASE OUTCOMES

Free Movement Of Goods

In its judgment of 6 May 2022 (Case No. II CSKP 457/22), the Supreme Court ruled that it was unlawful to affix a trademark used by a right holder in Poland to medicinal products introduced as part of a parallel import from another EU country if a different trademark was affixed to those goods in the country of export. The Supreme Court thus hinted to trademark right holders on how to limit the admissibility of parallel imports in Poland. This ruling is extremely controversial and was met with great surprise. In reality, the Supreme Court rejected the principle that the use of different trademarks for the same goods within a single market constitutes a disguised restriction within the meaning of article 36 of the Treaty on the Functioning of the European Union, and that such activity by the right holder should not benefit from protection.

Limitation Period

A claim of industrial property rights infringements can be pursued before the court within the limitation period of three years after the right holder learns about the infringement and the infringer, and in no case longer than five years after the infringement. Until recently, it was unclear when the limitation period began in the case of non-pecuniary claims, such as a right to request the infringing party to cease the infringement in situations where the action of the infringer is not a one-off, but of a continuous nature and ongoing at the time of initiation of the proceedings. In its resolution of 18 May 2021 (Case No. III CZP 30/20), the Supreme Court ruled that if an infringement of an EU trademark right is repetitive and is occurring

at the time the non-pecuniary claim is filed, the five-year limitation period starts from each day on which the infringement occurs. Thus, the Supreme Court introduced a distinction between the limitation period for pecuniary and non-pecuniary claims, because in the case of non-pecuniary claims, the limitation period for continuous infringement may theoretically last indefinitely. Consequently, for example, if an infringement continues, the limitation period for a claim for cessation of infringement will not end until five years after the first day of the infringement.

PRELIMINARY REFERENCES FROM THE POLISH COURTS TO THE EUROPEAN COURT OF JUSTICE

Even though the following cases refer to the EU regulations on European Union trademark rights and not to the regulations on Polish trademark rights, the preliminary references issued by the Polish courts are of significance and worth referring to.

Perfumesco Case

In its judgment of 13 October 2022 (case No. C-355/21), the CJEU ruled that if original goods with a legally placed trademark have been placed on the market without the consent of the holder of a trademark right, the EU allows for their destruction under article 10 of the EU Directive 2004/48.

The Polish Supreme Court issued a preliminary reference in a case concerning the Polish company Perfumesco.pl, which was selling Hugo Boss perfumes online. Sales in Poland included, for example, testers, as well as products intended for sale in the European Economic Area. In both cases, Procter & Gamble, the owner of the Hugo Boss brand, opposed such practices. The Supreme Court was not certain whether the goods with a legally placed trademark that were not counterfeited can be destroyed, since the Industrial Property Law Act refers only to unlawfully manufactured or marked goods.

The CJEU stated that article 10 of the EU Directive 2004/48 should be interpreted broadly and should therefore apply to goods that have been found to infringe intellectual property rights in any way. This includes cases where non-counterfeit goods were placed on the market without the consent of the trademark right's holder. The CJEU's judgment is a breakthrough in this regard as the dominant view in Poland was that the article should be interpreted narrowly, that is, only in the case of counterfeit goods. However, the CJEU's interpretation is aimed at full protection of exclusive rights against infringement by third parties. It emphasises that it is the holder of a trademark right who should decide on the first marketing of goods bearing that mark.

Castorama Case

In its judgment of 27 April 2023 (Case No. C-628/21), the CJEU ruled on a case in which a claimant requested from Castorama Polska and Knorr information regarding their distribution network, suppliers, the amount of goods received and ordered, the date of introduction of goods for sale in stationary stores and the online store, the amount of goods sold and the price obtained from the sale. The claimant stated that this information was necessary to pursue their alleged copyright claim. The legal basis was article 479 (113) of the Code of Civil Procedure, which is an implementation of article 8 section 1 of EU Directive 2004/48.

The CJEU ruled that the claimant can pursue the information claim on the scale of use of works for copyright protection if they provide reasonably available evidence to convince the

court that they are entitled to the intellectual property right. Assessment in this regard should be made by the national court. The CJEU stipulated that the request for information cannot be abused and that the national court should assess the merits and proportionality of the request for information. It should consider the circumstances of the case. Where there is an abuse of rights, the court should refuse to exercise the right to information provided for in the EU Directive 2004/48.

Even though the CJEU judgement refers to copyright law, it has a substantial impact on all intellectual property rights (including trademarks) as it concerns the requirements which the claimant must fulfill when submitting a request for information in any IP case.

Audi Case

In its decision of 22 February 2022, the Regional Court in Warsaw (Intellectual Property Division) issued a preliminary reference to the CJEU asking whether it is possible to interpret articles 9(2) and 9(3)(a) of EU Regulation 2017/1001 on trademark – the case of affixing the sign for a trademark that reflects the shape of the trademark or is confusingly similar to it – as including the shape of a car. This would be similar to the interpretation of the repairs clause in article 110(1) of EU Regulation 6/2002, such that the affixed sign cannot be regarded as a designated trademark even if it is identical to the trademark or confusingly similar to it. The issue is that there is no equivalent provision in Regulation 2017/1001 to the repairs clause from the Community Designs Regulation, so there are some doubts as to the legal basis of applying the criteria of the repairs clause to the EU trademark right infringement case. The issues concerned in the preliminary reference have been much debated in the past year as they are highly controversial and in a way revolutionary for trademark rights protection in the EU. We therefore look forward to learning the CJEU's opinion on this matter.

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Spain: Alicante Commercial Court Takes Issue with Online 'Hidden' Trademark Use

Esther Gómez

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Summary

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IN SUMMARY

Until recently, the online hidden use of a competitor's trademark has chiefly been analysed in Spain in relation to the use of keywords within Google's AdWords service. However, Order no. 206/2023 of the Alicante Commercial Court no. 4 shows that the use of a competitor's trademark in a non-apparent way – as, for example, part of the URL or the metadata of a website – may also imply trademark infringement or amount to unfair competition, at least at first sight within the context of interim measures proceedings.

DISCUSSION POINTS

- Risk of confusion when using a competitor's trademark as part of the URL or the metadata of a website
 - Acts of unfair competition when jeopardising the web positioning of a competitor
 - Limitations of the effects of a trademark and the need for honest practices in industrial and commercial matters
-

REFERENCED IN THIS ARTICLE

- ECJ's Google France and Google case
- ECJ's Interflora case
- Order no. 206/2023 of the Alicante Commercial Court no. 4 , dated 14 August 2023

INTRODUCTION

Article 34 (3)(f) of the Spanish law on trademarks (17/2001) establishes that where there is a double identity, a risk of confusion or a situation in which the reinforced protection of reputed trademarks is applicable, the owner of the trademark affected may prohibit the use of the conflicting sign in the course of trade. This includes, in particular, "in telematic communication networks and as a domain name". Although the clearly visual online use of a conflicting sign may not mean that much difference in terms of trademark enforcement in comparison to the use of a conflicting sign on goods or on printed advertising materials, such enforcement is more challenging when the online use of a conflicting sign is 'hidden', as, for example, in a URL or in website metadata. Referrals made to the European Court of Justice and its rulings have thrown some light on this matter.

Particular attention has been given to Google's paid referencing service, AdWords. Within AdWords, an economic operator may choose to use a competitor's trademark as a keyword in order to promote its own goods and services and try to obtain a better search result placing. In its judgment of 23 March 2010 issued in the joined cases C-236/08 to C-238/08 (- Google France and Google), the ECJ ruled that the sign selected by an advertiser or economic operator as a keyword in the context of an internet referencing service must, for the purposes of trademark law, be regarded as a use in the course of trade.^[1] Soon after, through its judgment of 22 September 2011 issued in the case C-323/09 (Interflora), the ECJ set the parameters by which to determine when the use of a competitor's trademark as a keyword to an internet referencing service may adversely affect the main function of a trademark;

that is, that of indicating its commercial origin. The ECJ ruled that whether there is an adverse effect on the function of indicating origin depends on how the commercial message is presented. An adverse effect can be found either where the advertiser's commercial message suggests an economic link between that economic operator and the trademark owner; or where the commercial message is vague on the origin of the goods or services at issue, to such extent that reasonably well-informed and observant internet users are unable to determine whether the economic operator advertising its goods or services is economically linked to the trademark owner.^[2] In its latter judgment, the ECJ further stated that in carrying out this assessment, facts such as the general knowledge of the market by the reasonably well-informed and reasonably observant internet user, or the size and profile of the commercial network of the trademark owner,^[3] should be taken into account.^[4]

Spanish courts have applied the teachings of these rulings. They have, for example, found trademark infringement where a company was using a competitor's trademark as a keyword to promote its goods and services while, at the same time, the competitor's trademark was included in the company's commercial message, suggesting that there was an economic link between them.^[5]

However, an economic operator may avoid using a competitor's trademark as a keyword within AdWords but still include it within the URL or metadata of its website. When an internet user performs a search on the basis of that trademark, the search engine will display those sites that appear best to correspond to that word, in decreasing order of relevance, and including those results in which the trademark is hidden within the URL or metadata. These are the so-called natural results of the search, as described by the ECJ in its *Interflora* judgment.^[6] Yet they may still affect the trademark owner's search engine optimisation (SEO). That is, the process and actions, including technical ones, that aim to improve the quality and quantity of traffic to its website from search engines.

In fact, Spanish courts have already acknowledged that trademark law and the law against unfair competition apply to the use of a competitor's trademark within the metadata of a website. This is due to the role that metadata plays in positioning websites within engine search results, and the importance of trading goods and services on the Internet. The Barcelona Court of Appeal, for example, found trademark infringement and acts of unfair competition in favour of, among others, *Fundación Gala-Salvador Dalí*, in a case in which the terms "Dalí" and "Salvador Dalí" – which formed part of different trademark registrations – were used in the metadata of a third party's website relating to an art gallery.^[7]

Recently, the Alicante Commercial Court no. 4, acting as the EU Trademark Court in Spain, has been able to assess this matter from a *prima facie* perspective within the context of interim measures proceedings.

ORDER NO. 206/2023 OF THE SPANISH EU TRADEMARK COURT

The plaintiff filed a request for interim measures against an online real estate platform on the basis of alleged trademark infringement and alleged acts of unfair competition.

The plaintiff was said to have recently launched an innovative fully online service that provided certificates regarding the solvency of tenants, after conducting a professional analysis on the documentation submitted by the latter in combination with an anti-fraud system. This certificate facilitates tenants' access to accommodation offered for rent (by reducing the amount of documentation to be submitted to the owner) and, at the same time, provides the renter with more certainty as to the tenant's solvency. The plaintiff renders this

service under several EU and national figurative trademarks. The defendant owns a website focused on real estate intermediation between owners offering their properties for sale or rent and potential buyers or tenants. This website has high levels of traffic, and is one of the most visited websites in Spain.

After the launch of the plaintiff's certification service, the defendant began to commercialise a solvency certification service through its website. It launched a marketing campaign for this service in April 2023. Although initially the name adopted for this service was not in conflict with the plaintiff's trademarks, the defendant later changed the name of the service to one that, according to the plaintiff, was in conflict. This name change was reflected in both the text and metadata of the defendant's website, as well as in a marketing campaign around this new service that was posted to third party websites.

Following a cease and desist letter from the plaintiff, the defendant changed the conflicting name of its service on its website, returning to the original non-conflicting name. However, it did not remove the conflicting terms from its website's URL or metadata. In addition, the marketing campaign across third party websites continued to refer to the conflicting name.

On 10 August 2023 the plaintiff filed a request for interim measures, on the basis of trademark law and the law against unfair competition. It claimed that continued use of the conflicting sign was having an adverse effect on its SEO and posed a risk that the public would wrongly connect the certification services of the plaintiff and the defendant. Consequently, it asked that the defendant remove and cease use of the conflicting sign on its website and within the site's metadata, and across the third party websites. The request was filed prior to the filing of the statement of claim and sought the granting of the interim measures without hearing the other party, claiming reasons of extreme urgency. Among other reasons, this was because of the short time before September – a month in which the closing of rent contracts increases – and the damaging consequences that the prolongation of the situation could have on the plaintiff's SEO.

The Alicante Commercial Court no. 4 fully granted the plaintiff's interim measures request by means of Order no. 206/2023, dated 14 August 2023. On initial examination of the case it reasoned that the marketing actions taken by the defendant, either through its own website or through those of third parties, could be deemed detrimental to the plaintiff's search engine positioning and could lead to damaging consequences in terms of competition. The court also acknowledged that it could amount to risk of confusion. After analysing the facts of the case, including the level of distinctiveness of the respective trademarks, it concluded that the public could be led to believe that the innovative certification offered by the plaintiff was actually rendered by the defendant, considering the novelty of the plaintiff's certification and the online nature of the services rendered by both parties.

CONCLUSIONS

A decision on the merits of this case remains to be seen, but Order no. 206/2023 reminds us that the hidden (or non-apparent) use of a competitor's trademark as part of a URL or within the metadata of a website may imply trademark infringement and acts of unfair competition, especially in the case of competitors that operate fully online. This could at least be the case where the economic operator using the conflicting sign within a URL or metadata of its website combines this with an advertising campaign through third parties' websites on which the conflicting sign is openly used; or where the economic operator's actions have the potential to jeopardise the competitor's SEO to the extent of eliminating it from the market.

The limitations of the effects of trademarks should also be taken into account, however. In particular, attention should be given to those that relate to the potential lack of distinctiveness or descriptive character of the registered trademark being used without consent by a competitor as part of the URL or the metadata of its website. Nevertheless, in this analysis, it should also be apparent that Spanish trademark law, just like the EU's Regulation on Trademarks, prohibits the application of this defence when the unconsented use of a conflicting sign does not accord with honest practices in industry or commerce.

Endnotes

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Specialist chapter: Crucial Considerations for Brand Owners Contemplating Legal Action in Spain

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Ballester IP

Summary

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INVESTIGATION AND RESEARCH

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IN SUMMARY

This chapter explains what to take into consideration before taking legal action in Spain

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- Investigation and research
 - Spanish trademark courts
 - Unregistered rights in Spain
 - Cease and desist letters and compensation
 - Entitlement to bring legal actions
-

REFERENCED IN THIS ARTICLE

- Spanish Trademark Law 17/2001
- EU Trademark Directive
- Spanish Unfair Competition Law 3/1991
- Spanish Patent Law 24/2015
- Supreme Court Judgement 520/2014
- Preliminary injunction of the Spanish EU Trademark Court of Alicante of 13 July 2023

Initiating legal action in Spain, or any other jurisdiction, is a significant step for brand owners. Before taking such action, it is crucial to consider various factors and ask some key questions to ensure that the legal process aligns with your brand protection and enforcement goals.

The EU Trademark Directive has brought to Spain a uniform criterion with the other EU member states, but there are still some elements to bear in mind when deciding to take legal action as a brand owner because of the particulars of Spanish practice.

INVESTIGATION AND RESEARCH

It is essential to conduct an investigation of the defendant in detail in a trademark litigation case and, among other things, it is necessary to take into consideration where they are based, their financial situation, if they hold trademark registrations and the relevance of securing evidence.

DOMICILE OF THE DEFENDANT

In some cases, the defendant is habitually relocating or there is no effective domicile that may pose a problem for brand owners' interest. This happens usually with regard to online trademark infringements where infringers want to go unnoticed and in those cases where information regarding the ownership of a website is not available, even though it is mandatory according to Spanish law.

Spanish procedural law provides for measures if the defendant cannot be located and the judgement must be served by public notice, by publishing the action in court or in official

gazettes or newspapers. The consequence of this is that the defendants never participate in court proceedings, which continue exclusively with the plaintiff and the court.

Even if the defendant's lack of participation in the court proceedings does not prevent the trademark proprietor from filing the action and obtaining a favourable judgement, the enforcement of the judgement will take considerably longer and may be unsuccessful.

Finally, where the defendant is based is also relevant to determine the competent court to handle the matter.

EVIDENCE OF INFRINGEMENT

Securing evidence of infringement is important to obtaining goods results in a trademark legal action. This does not necessarily mean acquiring samples of the infringing goods, as in some cases, for example, due to the nature of the goods involved or because these are not for sale yet, this is impossible.

This is particularly relevant when the infringement takes place online, in marketplaces or in the digital world (eg, the metaverse) where it could be taken down immediately. On a separate note, the EU Trademark Court of Alicante granted a preliminary injunction (in UTOPIA) on 13 July 2023, being the first in relation to a trademark infringement in the metaverse.

Securing evidence by means of a notary may be advisable depending on the particulars of the infringement.

FINANCIAL SITUATION

It is important to investigate the defendant and check with Spanish Companies House or other business information providers to confirm that the defendant has sufficient assets to cover potential compensation and reimbursement of legal costs.

Although the brand owner may still have a favourable judgment ordering the defendant to cease the infringement, the impossibility of obtaining compensation and reimbursement of legal costs must be taken into consideration.

RIGHTS IN THE NAME OF THE DEFENDANT

Although the principle of immunity of a trademark registry has had no effect in Spain since the DENSO judgment in 2014, it is important to be aware of trademarks (or trade names in Spain) in the infringer's name, even if this has been filed after the brand owner's trademark as the intervening rights defence may apply.

In a legal action, holding a registered trademark, even if this has been filed after the infringed trademark, may play an important role in the strategy of defence. This is called the intervening rights defence and it may affect the exclusive rights of the earlier EU or national trademark:

- The earlier trademark cannot prevent use of a later trademark if this could have been declared invalid owing to non-use at the filing date (or priority date) of the later trademark.
- If the earlier trademark has no distinctive character, is descriptive or is a generic term, it cannot prevent use of a later trademark if it had not acquired distinctive character at the filing date (or priority date) of the later trademark.
- The earlier trademark enjoying reputation cannot prevent use of a later trademark based on unfair advantage, or be detrimental to its distinctive character or reputation,

if it had not acquired reputation at the filing date (or priority date) of the later trademark.

When it comes to intervening rights, it is very important to take into account the unitary effect of EU trademark registrations and the fact of facing an intervening rights defence on the basis of national rights.

SPANISH TRADEMARK COURTS

The Spanish EU trademark courts are the courts with sole jurisdiction to deal with EU trademarks in Spain.

While each member state has a specialised court for EU trademark matters, infringement actions in relation to an EU trademark (or trademark with EU effect) involving non-EU parties (or with no establishment in the European Union) will necessarily be handled by the Spanish EU trademarks courts, as these are the courts where the EUIPO has its seat.

When taking actions solely on the basis of infringement of Spanish national trademark registrations, actions may be filed in courts in the region where the defendant is based, where the trademark holder's representative is based or where the infringement took place. The competent court is the commercial court based where the High Court of Justice of that region is based. In some provinces (Barcelona, Valencia, Madrid, Granada or Bilbao, among others), Spanish procedural law designated specialised courts in trademark matters.

UNREGISTERED RIGHTS IN SPAIN

Contrary to common law jurisdictions where passing off applies, Spain requires a trademark to be registered to have exclusive rights over that sign. However, unregistered rights may still serve as a basis for actions provided that the sign is notoriously known in Spain.

The Unfair Competition Law 3/1991 (UCL) can also serve as a basis for the protection of unregistered rights, but this is complementary to intellectual property. In this respect, it is indeed possible to bring actions for trademark infringement and actions for unfair competition together, but actions for unfair competition cannot replace the protection provisions of the Spanish Trademark Law 17/2001 (STL). In practice, the defendant's conduct must go beyond decent business practises for a case to apply both the UCL and the STL.

CEASE AND DESIST LETTERS AND COMPENSATION

It is not required under the STL and courts' practice to send a cease and desist letter before bringing legal actions.

That said, it is always advisable to send a cease and desist letter to show courts that the brand owner is seeking to settle out-of-court. Besides this, it is also advisable to send a cease and desist letter because the liability for damages of defendants will start once they are notified of the trademark infringement, except in the following cases:

- when the infringer is the first commercialising the goods and/or services in the market;
- when the infringer is the importer of the goods into the Spanish market;
- when the infringer is using the trademark in the goods or in the packaging;

- when the infringer acted in bad faith;
- when the trade mark is well known;
- when the infringer acted negligently; and
- when the infringer used the trademark in elements for identifying or decorating the goods and/or services knowingly that these may be used in relation to goods and/or services.

The damaged party shall request that the compensation is fixed taking into account different criteria. Among these factors, it is possible to establish the compensation as follows:

- the negative economic consequences suffered by the damaged party, including the profit that the right holder would have made if the infringement had not occurred or the profit that the infringer has made as a result of the infringement; or
- a lump sum amount comprising at least the amount that the infringer should have had to pay to the owner of the trade mark for a licence.

Moral damages, investigation costs and damages caused to the prestige of the trademark may also be included in the compensation.

ENTITLEMENT TO BRING LEGAL ACTIONS

Trademark infringement actions can be filed by the trademark holder, but there is also the possibility for licensees or co-owners to bring actions provided that some requirements are met.

Exclusive licensees will be entitled to bring legal actions unless otherwise agreed in the licence agreement. However, even if the agreement expressly stated that the exclusive licensee was not entitled to bring an action, it is still possible for the exclusive licensee to bring an action if the trademark holder is required to file actions against the trademark infringement and fails to do so within three months. For EU trademark registrations, it is not required for the exclusive licensee to wait for three months after requesting the EU trademark holder to take action against an infringement. EU trademark law requires the EU trademark holder to proceed instead within an appropriate period.

Non-exclusive licensees of Spanish trademark registrations can also bring legal action if they have requested the trademark holder to do so and no action is taken within three months. With regard to EU trademarks, non-exclusive licensees need consent from the EU trademark holder to bring an action.

For these provisions to apply, it is necessary that the licence is registered in the Spanish Patent and Trademark Office. Contrary to the Spanish Patent Law 24/2015, EU trademark case law ruled that registration of a licence is not necessary for the licensee to take action.

Any licensee of a Spanish trademark registration that brings an infringement action on the basis of the above-mentioned provisions must notify the trademark holder, who will be entitled to intervene in the proceeding, either as an independent party in the proceeding or as an intervener supporting the licensee.

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Romania: Key Developments Following Implementation of the EU Enforcement Directive

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Summary

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IN SUMMARY

This article seeks to explain the most recent developments in the case law of the Romanian courts with respect to the conditions that are to be met for a preliminary injunction to be granted and, respectively, the elements considered by the court when assessing a request for damages.

DISCUSSION POINTS

- Analysis of the prima facie validity of the trademark right
 - Appearance of infringement
 - Urgency of the requested measures
 - Culpability of the infringer
 - Methods of establishing damages
-

REFERENCED IN THIS ARTICLE

- Bucharest Court of Appeal, Decision No. 1576/10.11.2021
- Bucharest Court of Appeal, Decision No. 1120/20.07.2021
- Bucharest Court of Appeal, Decision No. 696/22.04.2021
- Bucharest Court of Appeal, Decision No. 831/26.05.2021
- Bucharest Court of Appeal, Decision No. 774/15.07.2020
- Bucharest Court of Appeal, Decision No. 831/26.05.2021
- High Court of Cassation and Justice of Romania, Decision No. 3447/05.10.2018

Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (the Enforcement Directive), harmonising the legal framework in intellectual property rights enforcement, was implemented in the national law of Romania through Government Emergency Ordinance 100/2005 (GEO 100/2005).

Given the importance of the analysed subject, this article seeks to present a series of significant developments of trademark case law in Romania in matters pertaining to GEO 100/2005, focusing mainly on the conditions that must be met for a preliminary injunction to be granted and on problems relating to a request for damages.

DEVELOPMENTS RELATED TO THE CONDITIONS THAT ARE TO BE MET FOR A PRELIMINARY INJUNCTION TO BE GRANTED

In the following, we will analyse the conditions that are assessed by the courts when handling preliminary injunction cases, focusing on the specific developments that recently occurred in national case law with respect to such conditions.

With respect to the appearance of the right condition, we note the following aspects. When analysing whether the right is favourable to the claimant, the courts usually assess the prima facie validity of the trademark right and whether a prima facie infringement of such

right occurs. As a result of a trend that has been firmly developing in patent preliminary injunction proceedings – where the courts usually consider elements such as foreign decisions and opposition decisions, or preliminary opinions, rendered by the European Patent Office opposition division – in which the validity of the patent is analysed, when deciding on the prima facie validity of such right, the courts tend to focus more and more on the prima facie validity of the right in preliminary injunction proceedings.

Such an approach was confirmed in a recent decision of the Bucharest Court of Appeal – the Court of Appeal renders the final decision in trademark preliminary injunctions, as the court expressly considered that, when assessing the appearance of right condition, both the prima facie existence of the rights invoked by the appellant and the appearance of infringement must be taken into account.^[1] Further on, in its assessment, the Bucharest Court of Appeal held that the appearance of right is favourable to the defendant by relying on the fact that the trademark invoked by the appellant was no longer in force and that, according to the applicable legal provisions, the trademark application did not grant a right that could be invoked in preliminary injunctions proceedings.

This is a significant change from previous practice where the court would have merely considered that a trademark right that has been registered is presumed valid, without actually analysing its prima facie validity. Regarding this aspect, it is interesting to further analyse whether, in the future, the courts will get to prima facie tackle invalidity arguments, or whether they would rather stick to referring to foreign or other decisions rendered by foreign entities in which it is held that the right is valid or void.

With respect to the condition pertaining to the fact that the court cannot tackle the merits of the case, we note the following. In this context, the courts assess whether prima facie infringement can be determined within the procedural constraints of urgent proceedings – in other words, whether the complexity of the case allows for a prima facie infringement finding. The court's assessment will generally concern the strength of the infringement arguments and defences in connection to the possibility of assessing prima facie infringement only based on documentary evidence, without the need of more complex evidence. If infringement cannot be established as such, this is considered an important reason to dismiss the preliminary injunction claim and wait for the outcome of the case on the merits.

Regarding this aspect, it was recently held by the Bucharest Court of Appeal^[2] that the prima facie analysis that is conducted in preliminary injunction proceedings does not preclude the court from analysing the visual, aural and conceptual similarity of the signs and the risk of confusion between the claimant's trademark and the allegedly infringing sign. Further, the court noted that, as a rule, preliminary injunctions can be granted also in such scenarios in which the signs in conflict are not identical or quasi-identical. With respect to the comparison of goods, the court considered that it cannot undergo an in-depth comparison and that, as such, to conclude that the goods are similar it cannot rely on elements such as a complementarity relation that exists between the compared goods. Moreover, the court also considered that the appearance of infringement must be clear enough that the provisional prohibition is justified.

With respect to the urgency of the preliminary measures and, as a particular part of the urgency, the risk for a damage difficult to repair to be incurred by the claimant, the following elements should be considered. In this context, the court verifies the circumstances of the case to see whether there are reasons for granting the injunction in urgent proceedings, as

opposed to the case on the merits. In a previous approach, the courts would merely consider that the urgency condition is presumed in trademark preliminary injunction requests. However, it would seem that such a practice is obsolete and the courts no longer rely on such a presumption. In this sense, in a recent judgment, the Bucharest Court of Appeal^[3] established that the urgency condition must not be presumed, but rather that the claimant is obliged to prove that this condition is met by showing that there is a risk of imminent and difficult to repair damage to occur. This approach has also been adopted by other courts.

Considering the current practice of the courts, if the preliminary injunction request is filed no later than six months from the moment when it became possible to do so, it is likely that the court will consider that the request was filed in a timely manner. There is a recent judgment of the Bucharest Court of Appeal in this sense.^[4] In the quoted judgment, the Court of Appeal held that a period of six to seven months, passing from the moment in time when the claimant acknowledged the existence of the allegedly infringing acts until when it filed the preliminary injunction request, is reasonable. Also, the Bucharest Court of Appeal showed that the urgency clock should not be considered to run from when the trademark application was filed.

Second, the urgency is usually (also) verified in connection with a risk for the claimant to incur a damage difficult to repair. Regarding the latter aspect, the Bucharest Court of Appeal held that damage that impacts the evolution of the market is damage difficult to repair.^[5] Further, the court noted that the fact that two parties undergo their activity in different cities does not lead to the absence of a risk for damage to occur to the appellant.

With respect to the proportionality of the requested measures, we note the following. In this context, the courts usually take into account factors such as:

- whether the risk for a damage to be incurred by the defendant as a result of the preliminary injunction outweighs the damage suffered by the claimant if the injunction is not granted;
- the legitimacy of the defendant's actions; and
- potential effects on third parties.

Regarding this condition, the Bucharest Court of Appeal stated that whether the claimant effectively uses the allegedly infringed trademark is a relevant element when performing the proportionality test.^[6] Also, the fact that, on one hand there was no information regarding the use of the trademark by the claimant, while on the other hand the defendant used the sign for a long period of time, was also considered by the court.

In conclusion, we consider that the recent case law of the courts, especially of the Bucharest Court of Appeal, has established a set of important guidelines that are to be considered when assessing a preliminary injunction request, guidelines that are likely to be further developed in the case law.

DEVELOPMENTS RELATED TO THE REQUEST FOR DAMAGES

Article 13 of the Enforcement Directive has been transposed in national law through article 14 of GEO 100/2005. Article 14 of GEO 100/2005 entitles the injured party to request the court to oblige the person that 'with intent' underwent a counterfeit activity to pay damages to the owner of the infringed right. When establishing such damages, it is enshrined in the provision that the court will consider:

- a) all the relevant aspects, such as the negative economic consequences, especially lost profits, which the injured party has suffered, any unfair profits made by the infringer and, on a case by case basis, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement or
- b) alternatively, when it is appropriate, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

Albeit that at a first glance the provision seems to closely reflect the stipulations from article 13 of the Enforcement Directive, a series of elements should be considered.

First, in article 14 of GEO 100/2005, it is noted that the deed must be committed with intent, whereas in the Enforcement Directive reference is made to a person who knowingly, or with reasonable grounds to know, committed the infringing acts. In other words, the national provision seems to impose a more drastic condition than that enshrined in the Enforcement Directive. The confusion generated by such a provision was cleared by the High Court of Justice that settled this matter in a very important judgment.^[7] In this sense, the High Court considered that the wording of article 13 of the Enforcement Directive and the purpose of the Directive must be taken into account and that, in such a scenario, one cannot apply the national law provision in the sense of awarding damages only if the infringement is committed with intent. In this sense, the High Court considered that the Directive also covers the scenario in which the infringer had reasonable grounds to know that is engaging in an infringing activity (and not only the case when the infringer acts with intent). As a result of this interpretation, the High Court concluded that the slightest form of negligence on behalf of the infringer suffices for the condition to be met. This judgment settled any discussions on the matter and is likely to be further followed by the national courts.

Second, another problem that has been largely analysed in case law pertains to whether there is a hierarchy between the two methods enshrined in article 14 (2) of GEO 100/2005 or whether the claimant is free to choose between requesting damages in accordance with article 14(2)(a) of GEO 100/2005 (ie, in relation to the actual damage that were suffered) or, respectively, in accordance with article 14(2)(b) of GEO 100/2005 (ie, as a lump sum).

Regarding this aspect, the High Court has held^[8] that one should establish the damages as a lump sum in such scenario when, for example, establishing the amount of damages that were actually suffered is particularly difficult to establish. In another judgement, the High Court showed that the claimant is not obliged to prove that it was impossible to determine damages in accordance with article 14(2)(a) of GEO 100/2005.^[9]

Regarding this aspect, from the wording of the provision (ie, in appropriate cases in the Enforcement Directive, and respectively when it is appropriate in GEO 100/2005), it could be argued that one must show that it is appropriate to establish the damages as a lump sum and that, in the absence of show a reasoning, the claimant cannot request damages in accordance to article 14(2)(b) of GEO 100/2005. However, considering the High Court's case law, it does not seem that it is necessary to show that it is impossible to establish the actual damages suffered in accordance to article 14(2)(a) of GEO 100/2005, but rather that

there are reasons that justify setting the damages as a lump sum. However, we consider that this is relevant to further analyse the manner in which such a reasoning will be further approached by the national courts.

Further, we consider that the two methods are alternative and, *exempli gratia*, one could file a request in which it requests damages quantified as the unfair profits obtained by the infringer as a main request and, as a subsidiary request, it could request the court to establish a lump sum quantified as the royalties that would have been owed to the trademark owner.

Third, with respect to applying the method enshrined in article 14(2)(a), one cannot establish the owed damages by relying both on the unfair profits made by the infringer and also on the loss of earnings incurred by the trademark owner.^[10] Also, it has been noted in the case law of the High Court of Justice^[11] that, when establishing the amount of damages, one must refrain from also taking into account gains obtained by the infringer from activities that are not related to the infringing acts. As such, extra precautions must be taken to ensure that reference is made only to the damages resulting from the infringing activity.

In conclusion, a series of important aspects pertaining to a request for damages have been clarified in recent case law of the High Court of Justice. In this sense, we note that:

- for the injured party to be able to request damages, the infringer must not necessarily act with intent when undergoing the infringing acts;
- it is likely to be considered that, for requesting the damages to be set as a lump sum, the claimant must show that there are reasons that justify such an option; and
- the criteria used when establishing the actual damages suffered by the injured party can be depicted in the case law of the High Court, being likely that further developments on the matter will occur in the near future.

INJUNCTIONS AT A GLANCE

Preliminary Injunctions – Are They Available, How Can They Be Obtained?

Yes, preliminary injunctions are available and they can be requested both *ex parte* or *inter partes*. *Ex parte* injunctions are rarely granted in practice. For obtaining a preliminary injunction, the most important conditions are appearance of right favourable to the claimant; the request does not imply tackling the merits of the case; the measures are urgent; and the requested measures are proportional.

Permanent Injunctions – Are They Available, How Can They Be Obtained?

Yes, permanent injunctions are available. The main condition that must be met for obtaining such a permanent injunction resides in proving the infringement of a trademark right that can be invoked by the claimant.

Is Payment Of A Security/deposit Necessary To Secure An Injunction?

The payment of a bond is usually requested in preliminary injunction proceedings. However, the court is not obliged to order the claimant to pay such a bond, as it is at the court's discretion to proceed in this sense.

What Border Measures Are Available To Back Up Injunctions?

The provisions of the EU Regulation No. 608/2013 of the European Parliament and of the Council of 12 June 2013 are in force on the Romanian territory. As such, *inter alia*, the

customs authorities could suspend the release of the goods or detain them if the conditions set forth in the Regulation are met.

Endnotes

- 1 Bucharest Court of Appeal, Decision No. 1576/10.11.2021 rendered in file No. 19022/3/2021. [^ Back to section](#)
- 2 Bucharest Court of Appeal, Decision No. 1120/20.07.2021 rendered in file No. 8220/3/2021. [^ Back to section](#)
- 3 Bucharest Court of Appeal, Decision No. 696/22.04.2021 rendered in file No. 2410/3/2021. [^ Back to section](#)
- 4 Bucharest Court of Appeal, Decision No. 831/26.05.2021 rendered in file No. 31799/3/2020. [^ Back to section](#)
- 5 Bucharest Court of Appeal, Decision No. 774/15.07.2020 rendered in file No. 16160/3/2019. [^ Back to section](#)
- 6 Bucharest Court of Appeal, Decision No. 831/26.05.2021 rendered in file No. 31799/3/2020. [^ Back to section](#)
- 7 High Court of Cassation and Justice of Romania, Decision No. 3447/05.10.2018 rendered in file No. 32743/3/2013. [^ Back to section](#)
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- 9 High Court of Cassation and Justice of Romania, Decision No. 1059/16.06.2017 rendered in file No. 56335/3/2010*. [^ Back to section](#)
- 10 High Court of Cassation and Justice of Romania, Decision No. 573/23.03.2021 rendered in file No. 47168/3/2016. [^ Back to section](#)
- 11 High Court of Cassation and Justice of Romania, Decision No. 3447/05.10.2018 rendered in file No. 32743/3/2013. [^ Back to section](#)

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