

Infringers: Profanity War

For the past decade, *Asia IP* has covered numerous trademark infringement cases. Some have simply been outrageous with a smart use of language and loophole. The aftermath of those cases can linger for a long, long time. **Johnny Chan** reports.



AUSTRALIA

While not outrageous, a trademark decision with significant implications in Australia (and perhaps some of Australia's

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neighbouring Asian countries) is the December 2014 decision of the High Court of Australia in *Cantarella Bros v. Modena Trading* which, for a nation of migrants such as Australia, which is increasingly trading with its Asia-Pacific neighbours, raises interesting implications for trademarks involving words and symbols borrowed from other languages, particularly where those words might relate to issues of quality, says Gregory Ross, a partner at Eakin McCaffery Cox in Sydney.

According to the Australian Bureau of Statistics, more than 28 percent of Australian residents were born overseas. Increasingly, many come from Asian countries and Australia's trade with Asian countries, both import and export, continues to increase, says Christina Cavallaro, a senior associate at Eakin McCaffery Cox.

At least a couple of Australian state capitals would see themselves as world-class cities, teeming with residents, business people and visitors from many places, Ross says. "A number of those people will be selling goods and services and, not infrequently, draw upon their place of origin to source and/

or trade in goods and services, sometimes bearing names and or trademarks from beyond Australia.”

In the *Cantarella* case, an importer of coffee to Australia from Italy, had trademarks registered in Australia in 2000 using the Italian words “Oro” and “Cinque Stelle,” which translate as “gold” and “five-star” in English.

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A competing coffee importer, Modena Trading, started using the same words in its marketing material.

Cantarella sued Modena for breach of trademark. Modena counterclaimed, in effect, seeking an order that the marks were not properly registered as not being relevantly-distinguishing of the goods, but merely relating to quality. Cantarella won in the Federal Court, Modena appealed and won in the Full Court of the Federal Court.

Cantarella then appealed to the High Court of Australia which, by majority, held that in deciding whether a trademark comprising words, whether English or foreign, is *inherently adapted to distinguish*, the court has to consider the ordinary meaning of the word or words to Australian people concerned with the type of goods to which the mark is to attach, says Cavallaro.

“It found that at the time of the registration of Oro and Cinque Stelle that those words did not convey meaning sufficiently strongly. Australian people concerned with coffee [saw] the words as having simple reference to the character or quality of the goods,” Cavallaro says. “This was despite a significant percentage of the Australian population having come from Italy and other Romance language countries.”

The court therefore held that the words inherently distinguished the goods from other goods in the marketplace to justify registration of the trademarks, adds Cavallaro.

“While not a particularly highly-publicized case, given the increasing frequency with which marketing organizations have for some time been freely borrowing and using words and symbols from other languages and that the relevant provisions of the legislation in Australia were refined by the Australian Intellectual Property Laws (Raising the Bar) Act 2012, it raises the question whether the consequence of the *Cantarella* case is that organizations seeking to register trademarks using these

types of symbols and words, particularly ones to do with quality are now going to have more difficulty with this type of issue where using borrowed words or symbols,” says Ross.

This is particularly so, given that the Note to Sections 41 (3) and (4) of the Australian Trade Marks Act 1995 provides that “trademarks that are not inherently adapted to distinguish goods or services are mostly trademarks that consist wholly of a sign that is ordinarily used to indicate:

a) The kind, quality, quantity, intended purpose, value, geographical origin, or some other characteristic, of goods or services; or

b) The time of production of goods or of the rendering of services.”

Ross says that, in his view, that test posited by the High Court of Australia has the potential to become much harder when words or characters from other languages are increasingly used as part of the trademark attaching to the sale or provision of goods or services. “In that sense, those words ‘that consist wholly of a sign that is ordinarily used’ leave much room to argue, particularly where that symbol is itself a word from another Asian language where characters do not use the Graeco-Roman letters of the English alphabet.”



Lusheng, a Rouse network member firm in Beijing, has fought a long battle on behalf of a US footwear brand against a local Chinese brand. The dispute has lasted for years, starting from bad faith trademark registrations before developing into a multi-front battle involving trademarks, trade names, product designs, advertising, business get-up and everything else that is built around the brand.

“The infringer has a local advisor with rich experience in trademark squatting – they are very familiar with the trademark system in China as well as loopholes to take advantage of,” says Landy Jiang, a partner at Lusheng. “The infringer targeted the US brand at a very early stage, way before the brand became widely popular in China. The initial step of the infringer was to register a series of trademarks, including the US brand’s Chinese trade name and trademark, material name, product collection names, etc. The US brand had already registered the Chinese versions in Hong Kong but not in mainland China at the time. The infringer also registered an English trademark and logo mark that are tricky enough to trigger a connection with the US brand, especially when used at the same position on products, but not sufficiently similar to constitute infringement under the existing Chinese law.”

Jiang says that after the trademarks were registered, the infringer started copying almost everything of the US brand, including the product designs (even registered design patents), advertisements, website, business get-ups, etc.

On one hand, the infringer marketed its brand and products aggressively, across China and overseas. On the other, it tried

to use the trademark registrations it held (i.e., the Chinese mark/trade name of the US brand, as well as a few product collection names and material names) to disturb the business of the US brand, and used it as leverage to negotiate for its infringement, or even required the US brand to purchase the registrations at a high price, says Jiang.

Litigation, administrative enforcement actions, trademark opposition/invalidation actions and design patent invalidation actions were all taken against the infringer. "After every round of action, the infringer would set up new companies and try to discard the old ones in an attempt to avoid liability and prolong

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the length of the battle. In response to this complex situation, instead of filing specific litigation claims one by one, we managed to wrap up all the infringing activities, from trademarks to trade names, from product imitation to advertising and business get-up copy, into a one-shot litigation based on unfair competition. It was a hard try, but fortunately the case was won," Jiang adds. "The claim for the unique product shape protection under Anti-Unfair Competition Law was selected as one of the annual National Top 50 IP cases by the Supreme People's Court. Furthermore, alongside the civil litigation, the Chinese mark registration held by the infringer was successfully invalidated via administrative litigation appeal with Beijing Higher People's Court, after the court realized the clear bad faith of the infringer, which finally stroke off the infringer's leverage."

As the lawsuit took years to settle, the right owner had to explore every method and legal ground to deal with the infringer, which meant substantial investment of time and cost. While on the other side, the infringer could easily lose specific legal claims but set up new company to continue or start new infringement, its business did not seem to be influenced much but still growing, Jiang says. "There was still a big gap between the cost required from right owner for IP protection, and the cost the infringer had to bear for infringement, especially when benchmarking against the high profits that could be obtained from infringement. If the legal system and credit system are more connected and well built, which make it less easy for bad

faith infringers to take advantage of, there could have been less litigation."

More specifically:

- The system could be smarter to strengthen its radar against bad faith trademark registrants, so that it would not be too easy to apply for or register others' brands, or abuse the registrations, Jiang says. "So far, the cost for applying trademark is low, while the cost to strike a bad faith registration is seriously unbalanced."

- The judicial system could be more flexible to allow for multi-claims within one case in special situation, or to connect the various cases to appropriately reduce the right owner's burden of proof and cost in litigation, says Jiang.

- The system could provide for increased damages, especially in situations of multiple infringement, in order to better reflect the profits that are obtained from the infringement, or the losses caused to the right owner, says Jiang.

- The system could provide for enhanced enforcement and deterrent effect of court orders. "Refine the credit system, especially the business and personal credit system, to be better connected with the judicial system," Jiang adds. "Currently it is still easy for an infringer to discard the infringing company and set up new one to avoid legal liabilities of infringement, which would make the deterrence of court order very limited."

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In fact, there have been positive developments in recent years.

For example, bad faith trademark applications/registrations are now receiving more attention, Jiang says. "Though the problem is not yet resolved, it is going in a positive direction. Trademark authorities like the China Trademark Office, the Trademark Review and Adjudication Board, and judicial authorities such as courts, are trying to implement systems to discourage bad faith registrations, reduce the burden of proof by the right owners and increase the cost of bad faith players."

Damages are also increasing generally. "Courts are getting more experienced in sophisticated calculation on high damages," Jiang adds. "The New Balance case (also handled by us) with damages of Rmb1.6 million (US\$252,000) ordered by the Suzhou Intermediate People's Court last year is a good illustration."



On October 16, 2015, Parle Products (the defendant) adopted a trademark and label under the name "Americana," for their butter cookies, as shown on the next page. Parle applied for trademark registration on October 16, 2015, and launched their product in January 2016. But just four days previously, on October 12, 2015, a company called B & B Bake (the plaintiff) had applied for the trademark "LA Americana Burger" for use on burger buns.

It appears that the plaintiff obtained a food license only in



In 2015, separate companies applied for Americana brand butter cookies and Americana brand burger buns in India. (Photos courtesy of R. K. Dewan & Co.)

February 2016. Yet, the plaintiff filed an application for an interim injunction on the basis of alleged prior use and adoption of their trademark. The plaintiff stated that they had been selling the

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Although the appeal is still pending at the Delhi High Court, the court has ordered both parties to refrain from selling biscuits under their respective trademarks. It is surprising that under one pretext or the other, the plaintiff has been able to retain the injunction status for over two years **now and a potentially flourishing** brand of biscuits and cookies was grounded to a halt.

- Mohan Dewan, principal,
R. K. Dewan & Co., New Delhi

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burger buns under the trademark "LA Americana/Americana" in one city in India.

Meanwhile, by the time the suit was filed, the defendant had sold biscuits and cookies under the trademark "Americana" all over India and had earned billions of rupees, with huge amounts of money spent on advertisements and publications.

"Surprisingly, the District Court in Delhi not only granted an *ex parte* interim injunction but also confirmed it. Subsequent thereto, the plaintiffs, who were initially set to be marketing only burger buns, started manufacturing and marketing biscuits as well," says Mohan Dewan, principal at R. K. Dewan & Co. in New Delhi. "Although the appeal is still pending at the Delhi High Court, the court has ordered both parties to refrain from selling biscuits under their respective trademarks. It is surprising that under one pretext or the other, the plaintiff has been able to retain the injunction status for over two years now and a potentially flourishing brand of biscuits and cookies was grounded to a halt."

Up until now, neither of the parties has been able to obtain any statutory rights in their respective trademarks. "There can be no similarity between the two products – namely, burger buns on the one hand, which need to be eaten with stuffing and heating, and biscuits and cookies, which are ready to eat," Dewan says. "Clearly, these products are distinguishable by themselves and cannot be passed off for each other."



In the Pierarejeunne Essence Cream case, the Tokyo District Court ordered that ¥87 million (US\$810,000) be paid by the ordering party to the contracted manufacturer who had been first to file an application for the ordering party's trademark.

The defendant, Pierarejeunne, contracted the plaintiff to manufacture their cosmetics under their brand "Pierarejeunne," which the defendant continued selling from December 2007 until 2012.

Although the plaintiff met their end of the agreement, developing, manufacturing, and delivering the product, they were not paid the agreed upon compensation of ¥21.5 million (US\$210,000)

The plaintiff withdrew the product from the defendant's distributors, acquired a registration for the trademark "Pierarejeunne" in February 2009, and began selling the product to recover the unpaid balance.

The plaintiff (manufacturer) then filed a suit for damages against the defendant (ordering party) with the Tokyo District Court, which the court allowed, ordering that 1.5 percent of the ¥5.3 trillion sales of the defendant's product – about ¥80 million – be paid to the plaintiff as a license fee. In this ruling, the Court found that the trademark registration was valid in its use as a means to recover the unpaid compensation.

"In Japan, an unregistered trademark



In Japan, a manufacturer filed a suit for damages against the party which placed an order for cosmetics. The Tokyo District Court ordered that 1.5 percent of the ¥5.3 trillion (US\$47.8 billion) sales of the defendant’s product – about ¥80 million – be paid to the plaintiff as a license fee. (Graphic courtesy of Hiroe and Associates.)

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In Japan, an unregistered trademark is not under any protection whatsoever, except in cases where the prior user of the trademark has become famous. In addition, there is no way to oppose a third party that **has filed a trademark application** after the trademark has entered into use.

- Takenori Hiroe, managing partner,
Hiroe and Associates, Gifu

is not under any protection whatsoever, except in cases where the prior user of the trademark has become famous,” says Takenori Hiroe, managing partner at Hiroe and Associates in Gifu. “In addition, there is no way to oppose a third party that has filed a trademark application after the trademark has entered into use. As such, in the legal system of Japan, a trademark must be registered before it is put into use.”



“While we do not agree with a few of the Philippine Supreme Court decisions on trademark infringement, we would not say that those we do not agree with are outrageous decisions,” says Maria Theresa C. Gonzales, a partner at VeraLaw (Del Rosario Raboca Gonzales Grasparil) in Manila. “The Supreme Court really has no clear and fast rule in determining the likelihood of confusion, which is a crucial issue in any trademark infringement case. A finding on the likelihood of confusion depends on

the factual circumstances and on which test is applied by the Supreme Court, whether it is the holistic or the dominance test. In brief, the focus of the dominance test is the prevalent features of the competing marks that are likely to cause confusion while the holistic test emphasizes the entirety of the products, including the labels and packaging, in the determination of confusing similarity.”

Be that as it may, Gonzales says there is a significant Supreme Court decision on the issue of the registrability of a trademark. “We consider the Supreme Court decision in *Taiwan Kolin v. Kolin Electronics* significant since it virtually allowed similar trademarks for related goods in different sub-classifications to co-exist. The competing trademarks are shown elsewhere in this story.

In this case, Taiwan Kolin sought to register the trademark KOLIN in Class 9 for the following goods: television sets, cassette recorders, VCD amplifiers, camcorders and other audio/video electronic equipment, flat irons, vacuum cleaners, cordless handsets, videophones, facsimile machines, teleprinters, cellular phones and automatic goods vending machines.

Kolin Electronics opposed Taiwan Kolin’s application for registration on the ground that it is identical or confusingly similar with its registered trademark KOLIN, which was likewise categorized in Class 9 for automatic voltage regulators, converters, rechargers, stereo boosters, AC-DC regulated power supplies, step-down transformers, and PA-amplified AC-DC goods.

According to Kolin Electronics, the goods associated with Taiwan Kolin’s trademark application are closely-related and inherently similar with the goods covered by Kolin Electronics’ registered trademark since they are all plugged into electric sockets and perform a useful function, and thus, will create confusion.

On the other hand, Taiwan Kolin asserted that the goods of the competing marks are not related because (a) its

goods pertain to home appliances while Kolin Electronics’ goods involve power supply and audio equipment accessories; (b) said

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TM Registration No. 4-1993-087497

KOLIN mark

(Kolin Electronics)

The Supreme Court of the Philippines decision in *Taiwan Kolin v. Kolin Electronics* is significant because it allowed similar trademarks for related goods in different sub-classifications to co-exist. (Graphics courtesy of VeraLaw.)

goods perform distinct functions and purposes; and (c) Taiwan Kolin sells and distributes its various home appliance products on wholesale and to accredited dealers as opposed to Kolin Electronics' goods, which are sold in electrical and hardware stores.

Ruling in favour of Taiwan Kolin, the Supreme Court ruled that: "Emphasis should be on the similarity or relatedness of the goods and/or services involved and not on the arbitrary classification or general description of their properties or characteristics."

The Supreme Court found that Class 9 goods can be further sub-categorized into five classifications and that the goods of the competing marks belong in different categories. Taiwan Kolin's goods are categorized as power supply audio equipment accessories. On the other hand, Kolin Electronics' goods fall under devices for controlling the distribution and use of electricity. Thus, although the goods of the competing marks belong in the

flavorings for respondent's product. Either way, the reputation of petitioner would be taken advantage of and placed at the mercy of respondent."



SOUTH KOREA

In South Korea, there have been two notable trends in trademark case law over the last 10 years, says Jae Hoon Kim, managing partner at Lee & Ko in Seoul. "First, courts have taken steps to reign in bad-faith trademark assertions – i.e., lawsuits filed by trademark owners who obtain the trademark registration in bad faith and/or do not make legitimate use of the trademark. Second, courts have provided some guidelines regarding the liabilities and obligations of online market operators," says Kim.

Abuse of Rights

South Korean courts have reviewed cases where the trademark was registered with bad faith in an attempt to free ride on another party's fame and goodwill. In such cases, courts have limited the trademark owner's ability to file infringement suits on grounds of trademark abuse, says Kim.

In Supreme Court case 2005Da67223 (2007.1.25), an individual A and record company B collaborated to release an album titled 진한커피 (black coffee). The album was successful, and the parties released two follow-up albums. Individual A filed a trademark application for the words black coffee written in both English and hangul, the Korean alphabet. (The logo is depicted above.) The application was granted, and Individual A thereafter released a fourth album under the same title with another

record company. Company B then began to publish a follow-up album under the same mark, and individual A subsequently filed a trademark infringement suit against Company B.

The Supreme Court found that the trademark in question embodied Company B's goodwill and that assertion of trademark rights by the nominal registrant A against the entity B that actually created and accumulated the goodwill of the trademark through investment and business endeavors violates market norms, causes consumer confusion, and thus constitutes abuse.

Another important ruling came from Seoul Central District Court 2017KaHap80834, which was decided on February 5, 2018.

BLACK COFFEE
진한커피

In South Korea, courts have taken steps to reign in bad-faith trademark assertions – i.e., lawsuits filed by trademark owners who obtain the trademark registration in bad faith and/or do not make legitimate use of the trademark. (Graphic courtesy of Lee & Ko.)

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- Maria Theresa C. Gonzales, partner,
VeraLaw, Manila

same class, they are not related since their purpose, channels of trade and nature are different, says Gonzales.

The 2015 *Kolin* Supreme Court decision highlights the differing approach to the determination not only of the likelihood of confusion but also in determining whether the goods of the competing marks within the same classification are related or not, Gonzales says. "The *Kolin* decision is in marked contrast to the decision rendered by the Supreme Court in *Mang Inasal Philippines v. IFP Manufacturing* (G.R. No. 221717, June 19, 2017)."

In that case, the Supreme Court found that "curl snack product for which the registration of the OK Hotdog Inasal mark is sought is related to the restaurant services represented by the Mang Inasal mark." While the Supreme Court recognized that "curl snack products" are not identical or similar to restaurant services, nonetheless, the Supreme court regarded that the said product and services may nonetheless be regarded as related to each other, in such a way that may lead to a confusion of business. To borrow the words of the High Court: "To our mind, it is not unlikely that such buyer would be led into the assumption that the curls are of petitioner and that the latter has ventured into snack manufacturing or, if not, that the petitioner has supplied the

In the 1990s, an individual filed for trademark registration of a famous global furniture company. The global furniture company recently entered the Korean market and the individual filed a trademark infringement suit against the global company.

The court held that the individual abused his rights, because the individual's actions violated market norms, caused consumer confusion, and was done in bad faith by using a mark that was developed and made famous by the very entity he was asserting his trademark rights against.

Liabilities of Online Market Operators

Merchants can directly engage customers through services provided by online markets, Kim says. "Trademark infringement issues are commonly raised where a merchant tries to sell infringing products in an online market concerning whether the online market operator is liable for the infringement. Numerous court decisions now provide guidance on this issue."

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Lee & Ko, Seoul

In the Seoul Central District Court ruling 2008KaHap1901, decided on August 5, 2008, a cosmetics company filed a trademark infringement suit against an online market operator for selling infringing products based on the "Hinoki" mark. The operator continued to sell infringing products even after the cosmetics company was granted an injunction against the infringing seller and notified the seller of this fact.

The court held that online markets have obligations to prevent and stop infringing actions as they manage the online market and receive commission from each sale. Here, the court found that the operator failed to act as such and was liable as the operator's actions to prevent sales were insufficient. The operator stopped sales of the infringing seller but did not take further steps to prevent customers from being able to search for or from finding information about the infringing products.

"Although the court found that online markets have an obligation to prevent and stop infringing actions, subsequent cases have limited these obligations," says Kim.

Another important ruling was handed down in Supreme Court ruling 2010Ma817, decided December 4, 2012. In 2005, Adidas made requests to eBay Korea to remove sellers of infringing goods, and eBay complied with such requests.

In 2008, Adidas further requested that eBay continuously search for infringing products sold on its site, prevent and/or stop sales of such products, and that eBay implement technical solutions to prevent customers from searching for and buying

such products. Adidas later sued for trademark infringement against eBay when eBay failed to comply with these requests.

The court found that online market operators were not automatically liable for the sale of infringing products, as they were not actively engaged in the infringing activities. Further, the court provided the following factors to consider when determining whether the online market operator is liable for trademark infringement: 1) whether the products sold in the online market infringe; 2) whether the trademark owners have made specific requests to prevent sales of the infringing products, and that the online market operator would have been aware of the infringing products; and 3) whether the online market operator failed to act to prevent such sales, notwithstanding its ability to do so. However, the online market operator is not required to provide information about the seller of the infringing products to the trademark owner.

"This case is important as it provides guidelines as to the obligations by the online market operator with respect to infringing products," Kim says. "Although the case requires online market operators to take preventive actions, it does not require that they provide the seller's information."

As far as challenges to winning in litigation, Vera Eun Woo Lee, a partner at Lee & Ko in Seoul, says that it is important not to be named as a defendant in an infringement suit. "One should also conduct a thorough due diligence before launching products and file trademark applications if possible. Consider filing trademark applications in other nearby nations as well as for services related to the products."

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Also, one should be prepared to file suit against a third-party infringer, Lee adds. "Avoiding litigation may not always be beneficial as this may potentially decrease the value of the trademark. Your legal strategy should revolve around maximizing the value of your trademark."



With the ever-increasing popularity of social media, it has become an increasing challenge to tackle counterfeit goods, says Pavinee Bunyamissara, a partner at Chavalit & Associates in Bangkok. "Social media platforms such as Facebook, Instagram and various other marketing websites have made it very easy for infringers to offer counterfeit goods online and goods are sold in real-time through live video streaming."

The difficulty arising from goods being distributed in these social media platforms is tracking these infringers, Bunyamissara says. "The lack of control on these social media platforms enables infringers to hide behind fake usernames, locations and contact details. Such false and misleading information makes it very difficult to track."

Law firms in Thailand have encountered several problems in taking action against these online shops, says Bunyamissara, as some websites do not have a clear policy or mechanism as to how they will handle the infringing products on their websites.

“With the lack of such policies, enforcement becomes harder.”
Under the new copyright law in Thailand as amended in 2015

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under Section 32/3, the owner of a trademark which is also protected under copyright law, such as devices or character marks, can petition the court to order the service provider to

suspend the dissemination of such infringing work or material. To succeed in obtaining a court order, the petition should contain information such as the name and address of the service provider, the copyrighted work that is allegedly being infringed, work claimed to have been made by the infringement of copyright; the investigative process undertaken, date and time the action was found, and the action or the circumstance, including evidence of copyright infringement; damages which may occur from the action claimed to have been in infringement of copyright; a petition for enforcing the service provider to remove the work done by infringement of copyright from the computer system of the service provider, or to suspend the copyright infringement by any other method, says Bunyamissara.

An additional feature of the new Computer Crime Act as amended in 2017, is that by virtue of Section 20(3) the trademark owner can request the competent officers to permanently take down computer data from computer systems.

“We could use this new method to combat online infringement effectively, which could potentially make enforcement more efficient,” says Bunyamissara. [AIP](#)

