

“2011 BFSU-WANHUIDA CUP” Intellectual Property

Moot Court

In the Beijing Higher People’s Court

Hangzhou Mont Blanc Elevator Co. Ltd.

(Referred to as the Third Party in the trial of first instance) as Appellant

Vs.

Mont Blanc Elevator Shareholding Co. Ltd. (Referred to as the Plaintiff in the trial of first instance) as Appellee; and The Trademark Review and Adjudication Board under the State Administration for Industry & Commerce of the People’s Republic of China (referred to as the Defendant in the trial of first instance, and it does not join the Appeal procedures) as Appellee

BACKGROUND

The followings are undisputed facts for the two parties.

I

1. Guangzhou Tianhe Mont Blanc Elevator Engineering Co. Ltd (hereinafter referred to as “Tianhe Mont Blanc”) was incorporated on August 26, 1996 under verification and approval with registered capital of RMB 5 million. Its legal representative was Yaokun Zeng, and the business scope was sale of elevators. Tianhe Mont Blanc obtained the right to be engaged in the import and export of elevators in 2002. Up to now, Tianhe Mont Blanc has not obtained license for the manufacture, installation, improvement, and repair of elevators.
2. In August 1996, Tianhe Mont Blanc was authorized by Dalian Mont Blanc Elevator Co. Ltd (hereinafter referred to as “Dalian Mont Blanc”) to be engaged in the business of installation, repair and maintenance of various types of elevators produced by Dalian Mont Blanc.
3. On April 7, 1997, Tianhe Mont Blanc filed an application with the Trademark Office under the State Administration of Industry and Commerce (hereinafter referred to as “the Trademark Office”) for registration of trademark “勃朗 MONT BLANC” for “elevators (lifts), etc.” in Class 7 under the International Classification of Goods and Services. On October 21, 1998, the mark was examined and preliminarily approved by the Trademark Office and published under Application/registration No.4669164 (hereinafter referred to as “the Disputed trademark”). During the open period of publication, oppositions were filed against the Disputed trademark by Mont Blanc Elevator (Sichuan) Co. Ltd. (hereinafter referred to as Sichuan Mont Blanc), Zhangjiagang Bolan Elevator Co. Ltd. and France Mont Blanc Elevator Company

Limited by Shares (hereinafter referred to as France Mont Blanc). After acceptance and examination of the oppositions, the Trademark Office found that the opposition filed by France Mont Blanc was justified and therefore decided that application for registration of the Disputed trademark shall not be approved on April 13, 2000. Tianhe Mont Blanc was not satisfied with the decision on the opposition and filed a review of opposition with the Trademark Review and Adjudication Board under the State Administration of Industry and Commerce (hereinafter referred to as “the TRAB”). The TRAB approved the registration of the said trademark on November 17, 2008. The trademark was valid from January 21, 1999 to January 20, 2009. The trademark under approval was to be used for “elevators (lifts), lifts, escalators and mobile ladders” in Class 7. On February 10, 2009, period of validity of registration of the Disputed trademark was renewed from January 20, 2009 to January 19, 2019.

4. On August 18, 2008, Yaokun Zeng and Yanqiu Huang, two residents of Guangzhou City, incorporated and registered Mont Blanc Shareholding Co. Ltd (hereinafter referred to as “Mont Blanc Shareholding”) in Hong Kong with registered capital of HKD10, 000, and Yaokun Zeng held 95% of its shares. Mont Blanc Shareholding did not obtain the license for the manufacture of elevators in China.
5. Under the approval by the Trademark Office, the Disputed trademark was assigned to Mont Blanc Shareholding on January 7, 2009. On the same day, Mont Blanc Shareholdings offered Tianhe Mont Blanc the exclusive license of the Disputed trademark free of charge within the license term from January 7, 2009 to January 6, 2010. In addition, Mont Blanc Shareholding has authorized the use of the Disputed trademark for Guangdong Mont Blanc Elevator Co. Ltd, Guangzhou Dali Elevator Co. Ltd, and a number of other elevator manufacturers.

II

6. France Mont Blanc, established in 1923, is a worldwide famous multinational corporation group. It is one of the largest elevator manufacturers in France with the history of more than 80 years. It enjoys high reputation globally for its advanced product designs, exquisite craftsmanship, high quality products and strict management system. France Mont Blanc owns more than 10 factories and a comprehensive research institution in France, as well as 129 subsidiaries and branches overseas. However, it did not register trademarks “勃朗” or “MONT BLANC” in China in Class 7. Elevators manufactured by and bearing the name of France Mont Blanc have been sold to China since mid-1990s. The corporation has, together with elevator companies in mainland China and through the means of share capital contribution and cooperation, been engaged in research & development and production of elevators.

7. In China, Sichuan Mont Blanc was incorporated under approval on June 10, 1994. On September 15, 1996, its board of directors made the resolution under consensus that the English name of company shall be changed to Mont Blanc Elevator (Sichuan) Co. Ltd.. The change of name was approved on April 28, 1997 and the new name has been in use ever since. Dalian Mont Blanc changed its former enterprise name to the current name under approval on January 9, 1995. Its business license was revoked on November 9, 2007. Mont Blanc Shanghai Co. Ltd. (hereinafter referred to as Shanghai Mont Blanc) was approved on January 6, 1997 to change its former enterprise name to its current name. Shenyang Mont Blanc Elevator Co. Ltd. (hereinafter referred to as Shenyang Mont Blanc) changed its former enterprise name to its current name under approval on October 31, 1996.

8. From 1994 to 1997, Malaysia Dengjia Elevator Co. Ltd. and Malaysia Dengjia Elevator Manufacturing Co. Ltd. sold its “MONT BLANC (勃朗)” branded elevators to Zhonggong Shenzhen Import & Export Co. Ltd., Shenzhen Boritong Import Elevator Services Co. Ltd., and Shenghefa Machinery Engineering Co. Ltd., respectively. Among the sales, an elevator sales contract was reached by and between Malaysia Dengjia Elevator Co. Ltd. and Zhonggong Shenzhen Import & Export Co. Ltd. on January 10, 1995 regarding the sale of 5 MONT BLANC (勃朗) elevators, which have been in use in the Shenzhen Meilun Tower to this day. In addition, the words “Mont Blanc Elevator” and “勃朗 Elevator and Escalator” were used by Taiwan Henderson Elevator Company Limited by shares in its elevator advertisements published in the journal of *Chinese Elevators* between 1996 and 1998. Shenzhen Boritong Import Elevator Services Co. Ltd. used the words “勃朗 Elevator” when it advertised the products under its agency in the journal of *Chinese Elevators* from 1996 to 1998. The words “Mont Blanc Elevator” and “勃朗 Elevator” were also used by Shenyang Mont Blanc in its elevator advertisements published in the journal of *Chinese Elevators* throughout the first issue of 1997 to 1998.

9. Apart from the above mentioned situations, from the date of filing of the Disputed trademark’s application for registration to the time when it was approved by the TRAB (November 17, 2008), many elevator enterprises used “勃朗” “MONT BLANC” on their elevator products, and many elevator enterprises were established by using the name “勃朗” successively in China. According to the statistics on the special edition of the journal *Chinese Elevators* in the year 2005, there were 19 enterprises using “勃朗” in their enterprise names among all the elevator manufacturers nationwide which have obtained license for the manufacture of elevators; there were 29 enterprises using “勃朗” in their enterprise names among all the elevator enterprises nationwide which have obtained license for installation, improvement or repair of elevators. Majority of these enterprises had the capacity of producing elevators on a large scale, and

obtained manufacture qualification certificates which allowed them to be engaged in special industries. Among them, some enterprises held capital contribution made by France Mont Blanc; some of them cooperated with France Mont Blanc, and some of them used frequency converters of France Mont Blanc, special motors of Blanc elevators, and Blanc contactors connecting the frequency converters and motors, in the key parts of the control-driven on their elevator products.

10. Among the abovementioned enterprises, Hangzhou Mont Blanc Co. Ltd. (hereinafter referred to as Hangzhou Mont Blanc) was incorporated on November 3, 1992 with Hangzhou Jiangnan Elevator Co. Ltd. as its original enterprise name. On February 19, 2001, Hong Kong Lianjin Co. Ltd., an equity joint venture partner of Hangzhou Jiangnan Elevator Co. Ltd, transferred all its shares to France Mont Blanc and Mont Blanc (Malaysia) Co. Ltd.. The name of the enterprise was changed to Hangzhou Jiangnan Mont Blanc Elevator Co. Ltd. as well. On August 1, 2001, Hangzhou Jiangnan Mont Blanc Elevator Co. Ltd. changed its name to the current Hangzhou Mont Blanc. Thereafter, Hangzhou Mont Blanc strikingly publicized its elevator products by using the words “MONT BLANC” in such business transaction documents as bidding proposals, offer letters and contracts, brochures and on the wall of its workshops.

11. After the Disputed trademark was approved to register by the TRAB (November 17, 2008), Tianhe Mont Blanc together with Mont Blanc Shareholding intended to enter into trademark license agreements with mass production enterprises which used “勃朗” in the elevator industry in order to obtain royalty via trademark license. In December 2008, Tianhe Mont Blanc presented a proposal for cooperation to Shanghai Mont Blanc , stipulating that in the first year the minimum amount of royalty under the trademark license was RMB 2,000,000 (2000 elevators as the starting point); 10% increase year by year; extra RMB 2,000 per elevator required for the elevators beyond the 2000. After the proposal was

rejected, Tianhe Mont Blanc and Mont Blanc Shareholding took legal litigation against Hezhou Mont Blanc, Shanghai Mont Blanc and Foshanzhujiang Mont Blanc Elevator Co. Ltd . .on the ground of infringement of exclusive right to use the Disputed trademark on February 5, 2009, and lodged the claim for compensation RMB 120,000,000. The local courts in Hangzhou, Foshan and Shanghai accepted these cases and took legal measures to freeze cash assets RMB 30,000,000 and other assets RMB 20,000,000 in total of the three defendants. The production and operation of these enterprises fell into difficulty and thousands of affected workers faced difficulties of livelihood. The series of the actions has shocked the Chinese elevator industry.

Procedures

I

12. In April 2008, Guangdong Province Association for Special Equipment sent a letter to the TRAB, pointing out that the conduct of Tianhe Mont Blanc registering the “勃朗 MONT BLANC” was not for proper use, but to disturb the normal operation order of the elevator manufacturing industry for the malicious purpose of seeking illegal interests.
13. On September 3, 2009, Hangzhou Mont Blanc submitted an application to the TRAB for cancelling the registration of the disputed mark, and this application was accepted by the TRAB. The main arguments of Hangzhou Mont Blanc were that “勃朗” and “MONT BLANC” were well-known foreign geographic names which shall not be registered as trademarks in accordance with the second paragraph of Article 10 of the Trademark Law of the People's Republic of China. The Disputed trademark was comprised of the French place name “勃朗”, but the product has no connection with that place. It is likely to mislead the consumers, and this violates Article 16 of the Trademark Law. At the same time, since many

Chinese enterprises have extensively used the marks “勃朗” and “MONT BLANC” for a long time, including using “勃朗” in their enterprise names and bearing “勃朗” and “MONT BLANC” on the elevator products, when the Disputed trademark was approved for registration by the TRAB(November 17, 2008), “勃朗” and “MONT BLANC” have become commonly used signs for elevator products within the elevator industry. They shall not be registered as trademarks according to Article 11 of Trademark Law, because they are not capable of distinguishing the source of the goods and have become devoid of any distinctiveness.

14. In the response to the TRAB, Mont Blanc Holdings stated that “勃朗” is not a well-known foreign geographic name, but has otherwise meanings. “勃朗” and “MONT BLANC” is not geographic indication of the products either. “勃朗” and “MONT BLANC” by themselves have strong distinctive characteristics when they are used on the elevators and other commodities. Although some enterprises have used “勃朗” in their enterprise names before the application for registration of the mark was filed, they can still function as to distinguish the source of goods as a trademark. However, after the application for registration of the mark was filed(April 7, 1997), especially after the Disputed mark began to enjoy the exclusive right from January 21, 1999, the Chinese domestic elevator enterprises considerably used the marks “勃朗” and “MONT BLANC.” These conducts by themselves were unjustifiable, and impaired the legitimate rights and interests of Tianhe Mont Blanc. Tianhe Mont Blanc and Mont Blanc Shareholding have long been using “勃朗” series of trademarks continuously and considerably, the “勃朗” series of trademarks to some extent have enjoyed fame and reputation in the market.

15. After examination, the TRAB made “The Decision on Dispute against the Trademark “勃朗 MONT BLANC No.466916” (hereinafter referred to as the Decision), under Shangpingzi (2001) No.23301, which contains the followings,

16. According to the item 3 of Paragraph 1 under Article 11 of the PRC Trademark Law, any mark devoid of distinctive character shall not be registered as trademarks. Pursuant to the existing evidences, some enterprises integrated the words “勃朗” into their enterprise names and highlighted their enterprise names on the elevators which they produced before the application for registration of the Disputed trademark was filed. “勃朗” has actually been used by these enterprises as an unregistered trademark. When the Disputed trademark was approved for registration(November 17, 2008), a large number of elevator manufacturing enterprises marked “勃朗” and “MONT BLANC” on their products, and the elevator products with the marks of “勃朗” and “MONT BLANC” were extensively publicized in the journal of *Chinese Elevators*. “勃朗” and “MONT BLANC” as enterprise names or marks on products have been in widespread use on the elevator products, and such use has become a convention in the elevator industry. This situation objectively has caused the issue of difficulty that “勃朗” and “MONT BLANC” used on the elevator products cannot play the role of distinguishing the source of the goods which a trademark should have. In addition, the original registrant of the Disputed trademark, Tianhe Mont Blanc, has ever been authorized by Dalian Mont Blanc to be engaged in the installation, repair and maintenance of the elevators manufactured by Dalian Mont Blanc. Therefore, Tianhe Mont Blanc shall have been aware of the convention of the elevator industry. The Disputed trademark falls into the situation in that the mark is devoid of distinctive character, as provided by the item 3 of Paragraph 1 under Article 11 of the PRC Trademark Law.

17. The evidences presented by Hangzhou Mont Blanc were not sufficient to prove that “勃朗” or “MONT BLANC” was a foreign geographic name well-known to the public or a geographic indication. Therefore, it was not in violation of the second Paragraph of Article 10 and Article 16 of PRC Trademark Law.

18. The TRAB decided to cancel the registration of the registration in accordance with

the item 3 of Paragraph 1 under Article 11, Paragraph 1 of Article 41 and Article 43 of PRC Trademark Law.

II

19. Mont Blanc Shareholding was not satisfied with the TRAB's decision, and instituted administrative proceedings before the Beijing First Intermediate People's Court on September 27, 2010. The Court accepted the appeal and notified Hangzhou Mont Blanc to participate in the litigation as the Third Party.
20. Mont Blanc Shareholding believed that the TRAB made the mistake of identifying the facts because having based the point of time on the time of approval for the registration of Disputed trademark, the TRAB has come to conclude that the Disputed trademark was devoid of the distinctive character due to the large amount of use. Before the application for the registration of the Disputed trademark was filed, “勃朗” or “MONT BLANC” has not been commonly and extensively used in China. After Tianhe Mont Blanc filed the application for the registration of “勃朗 MONT BLANC” as a trademark with the Trademark Office, especially after the Disputed mark began to enjoy the exclusive right from January 21, 1999, the use of other enterprises was improper and damaged the legitimate rights and interests of Tianhe Mont Blanc. Tianhe Mont Blanc and Mont Blanc Shareholding has long been using “勃朗” and “MONT BLANC” series of trademarks in the way of authorization and license, and enabled “勃朗” series of trademarks to establish fame and reputation to some extent. Mont Blanc Shareholding petitioned the Court to set aside the Decision.
21. The TRAB insisted upon the opinions in the Decision, and further argued that if the mark has distinctive character when the application for registration is filed but loses distinctive character when the application is approved for registration, the mark shall be considered to be devoid of distinctive character and shall not

be approved for registration. The Decision should be affirmed since the facts were identified clearly and the laws were applied correctly. Hangzhou Mont Blanc agreed with the opinions of the TRAB.

22. After the hearing, the Beijing First Intermediate People's Court held that the key function of a trademark is to indicate the source of the goods or services. The fundamental value of a trademark is to enable the consumers to distinguish the goods or services provided by different business operators. In examining the distinctive character of the Disputed trademark, it shall consider the factual state of the Disputed trademark at the time when the application for registration was filed. In the TRAB's Decision, it was clearly improper for the TRAB to examine the distinctiveness of the disputed mark by looking at the time point of approval for registration (November 17, 2008). In addition, “勃朗” and “MONT BLANC” on elevator products have inherent distinctiveness. Notwithstanding, before the application for registration of the Disputed trademark was filed, certain enterprises have used “勃朗” as their enterprise names or an unregistered trademark, these individual conducts of usage were insufficient to make “勃朗” and “MONT BLANC” lose their function of distinguishing the source of goods.

23. *Held*, allowing the application of the plaintiff

(1) To set aside “The Decision on Dispute against the Trademark “勃朗 MONT BLANC No.466916 ” under Shangpingzi (2001) No.23301 made by the defendant, the TRAB;

(2) The defendant, the TRAB, shall re-make a decision on the Dispute against the Trademark “勃朗 MONT BLANC No.4669164”.

III

24. Hangzhou Mont Blanc was not satisfied with the judgment of Beijing the First Intermediate People's Court, and appealed to the Beijing Higher People's Court.

25. The argument of the appeal of Hangzhou Mont Blanc was that if a mark has been commonly and extensively used and is not capable of distinguishing the source of goods at the time when it is approved for registration, it shall not be approved, because it has lost the basic function of a trademark. During the period from the filing of a trademark application for registration to the approval by competent authorities, the applicant does not obtain the exclusive right to use the trademark. That means other enterprises may still use in good faith on the basis of the convention which has been formed. In this case, “勃朗” and “MONT BLANC” have been in extensive use for the elevator products as enterprise names or product marks in China till the application for the registration of the Disputed trademark was proved (November 17, 2008). In addition, the elevator products with the marks “勃朗” or “MONT BLANC” have been advertised in the journal of *Chinese Elevators* extensively. Subject to the situations of the elevator industry, “勃朗” and “MONT BLANC” have been in common use by the manufacturers, sales operators and consumers in the elevator industry. These cannot enable the public to distinguish the source of elevator products, and to distinguish the manufacturers and sales operators. They have lost the foundation of being a registered trademark. Hangzhou Mont Blanc appealed to the Court for setting aside the judgment of the Beijing First Intermediate People’s Court, and for affirming “The Decision on Dispute against the Trademark “勃朗 MONT BLANC No.466916”, under Shangpingzi (2001) No.23301 made by the TRAB.