

**2017 BFSU-WANHUIDA IP MOOT COURT CASE****In Beijing Intellectual Property Court**

Beijing Elite Electronic Equipment Co., Ltd.

*As Petitioner*

V.

China Shanghai Changfeng General Electric Co., Ltd

*As Respondent*

**Facts**

The following are undisputed facts:

I

1. China Shanghai Changfeng General Electric Co., Ltd. (hereinafter referred to as “Shanghai Changfeng Company”) is a radio manufacturer with a long history, founded in 1960. In 1962, it registered the “长风 CHANGFENG” trademark in China, in the form of combining both Chinese characters and their Pinyin. The approved commodities are radios. Since then, it has always owned the registered trademark “长风 CHANGFENG” on the commodity of radio in China. With its continuous use and widespread advertisements for over 50 years, “长风 CHANGFENG” radio has gradually been known and acquired good reputation in the market. Since 1990, the “长风 CHANGFENG” trademark has been consecutively recognized as a

prominent trademark of Shanghai by Shanghai Industry and Commerce Bureau for years. In 2000, it was recognized as a nationally well-known mark of China by the Trademark Office of China.

2. The radios of Shanghai Changfeng Company branded “长风 CHANGFENG” started to export to Southeast Asian countries including Indonesia in the early 1960s and have been relatively recognized in the market of Southeast Asia ever since.
3. PD Company, an Indonesian company, registered the “长风 CHANGFENG” trademark in the form of both Chinese characters and their Pinyin in Indonesia in 1987, with its approved commodities as radios. The trademark has continuously been renewed, and is a valid registered trademark in Indonesia currently.
4. Beijing Elite Electronic Equipment Co., Ltd. (hereinafter referred to as “Beijing Elite Company”) is a medium enterprise located in Beijing, China, specializing in the manufacture of radios.

## II

5. In 2006, Shanghai Changfeng Company applied for the registration of the “长风 CHANGFENG” trademark on the commodity of radio to the Directorate General of Intellectual Property of Indonesia (hereinafter referred to as “DGIP”). This application was refused by DGIP on the grounds that such trademark was already registered by another company, specifically, PD Company of Indonesia.
6. Shanghai Changfeng Company filed a lawsuit in the Djakarta court requesting to cancel the “长风 CHANGFENG” trademark registered by PD Company. The lawsuit alleged that the “长风 CHANGFENG” trademark used on the radios by the Shanghai Changfeng Company is not only well-known in Mainland China, but also a well-known trademark enjoying widespread reputation in Southeast Asian countries, including Indonesia. With Shanghai Changfeng Company uninformed, PD Company squatted the registration of the “长风 CHANGFENG” trademark. Chinese is not a common language in Indonesia, so the registration of the Chinese characters and their Pinyin “长风 CHANGFENG” as its trademark demonstrates the bad will of PD Company, and should be found as malicious trademark

squatting.

7. The Djakarta court dismissed the pleadings of Shanghai Changfeng Company based on the reason that PD Company had registered the “长风 CHANGFENG” trademark earlier in Indonesia. Shanghai Changfeng Company appealed to the Supreme Court of Indonesia, seeking the reversal of the Djakarta court judgment.
8. In February 2008, the Supreme Court of Indonesia held that the “长风 CHANGFENG” trademark of Shanghai Changfeng Company, which had been registered in Mainland China since 1962, had enjoyed a reputation all over Southeast Asia, and should be found to be a well-known trademark. The registration of the same trademark on the same goods by PD Company was malicious trademark squatting. The Court overruled the judgment of the trial, in favor of the pleadings of Shanghai Changfeng Company.
9. In April 2008, DGIP canceled the registration of the “长风 CHANGFENG” mark of PD Company in accordance with the judgment of the Supreme Court of Indonesia. In July 2008, it approved the registration of the “长风 CHANGFENG” trademark on radios by Shanghai Changfeng Company.
10. PD Company requested the Supreme Court of Indonesia to rehear the case. In April 2009, the Supreme Court of Indonesia canceled its prior judgment after retrial on the grounds that there is no evidence to prove that the “长风 CHANGFENG” trademark of Shanghai Changfeng Company had become a well-known trademark in Indonesia, and sustained the judgment of the Djakarta court.
11. In May 2009, DGIP resumed the registration of the “长风 CHANGFENG” mark of PD Company. The registration of Shanghai Changfeng Company’s “长风 CHANGFENG” mark was thereupon canceled upon the application of PD Company.

### III

12. In October 2006, Indonesian PD Company, as the owner of the Indonesian “长风 CHANGFENG” registered trademark, entered into an manufacturing agreement with Beijing Elite Company to commission the latter to manufacture radios and their components and accessories under the mark “长风 CHANGFENG”. The agreement provides that the products

thereof are for export to Indonesia only, and shall not be sold in Mainland China. The agreement is valid for three years, and is still in effect because of continual renewal of the term. PD Company has shown Beijing Elite Company the certificate of its Indonesian registered trademark, and other legal identity documents. Beijing Elite Company has examined the above materials and acknowledged their authenticity.

13. Upon the conclusion of the agreement, Beijing Elite Company manufactured the radios and their components and accessories labeled with the “长风 CHANGFENG” trademark, and filed the export declaration destined for Indonesia.

#### IV

14. In October 2008, as the owner of the “长风 CHANGFENG” registered trademark in China, Shanghai Changfeng Company entered into a compensation agreement with the alleged infringing Beijing Elite Company, which reads that the manufacture of the 800 radios labeled with the “长风 CHANGFENG” trademark and the export declaration destined for Indonesia filed by Beijing Elite without the approval of Shanghai Changfeng Company is allegedly infringing the registered trademark rights of Shanghai Changfeng Company. Beijing Elite Company promised not to commit such infringing conduct in the future and agreed to compensate RMB 100,000 to Shanghai Changfeng Company.

#### The Trial

15. In February 2015, Shanghai Changfeng Company filed a lawsuit in Beijing Haidian District Court, claiming that the unauthorized use of a mark identical with the registered trademark of Shanghai Changfeng Company by Beijing Elite Company on radios has constituted infringement upon its registered trademark rights. It requested the court to restrain Beijing Elite Company from further infringement and to compensate Shanghai Changfeng Company for losses suffered as a result of the trademark infringement.
16. The trial court reasoned that:

The issue of this case is whether foreign original equipment manufacture (OEM) infringes upon the registered trademark rights in China. In general, a

manufacturing plant in China, if exporting all labeled products under the authorization of a foreign principal without any sales in China, should not be found to be trademark infringement. The decision of no trademark infringement, however, is based on the premises that the domestic manufacturing plant has satisfied the reasonable duty of care about the foreign trademark authorized to label. The domestic manufacturing plant should check whether the foreign principal is entitled to the registered trademark rights outside of China. There would be fault of the manufacturing plant if it fails to satisfy the reasonable duty of care, and its manufacturing and labeling would constitute infringement. If the foreign trademark labeled cannot be justified, the level of duty of care imposed on the domestic manufacturing plant should be higher. Article 7 (1) of Chinese Trademark Law modified in 2013 stipulates: “Any registration application or usage of a trademark shall abide by the principle of good faith.” Based on this provision, if a foreign enterprise or individual allegedly squatted a Chinese trademark, which is of some fame or especially well-known in China, in bad faith outside of the Chinese territory and authorizes a domestic original equipment manufacturing enterprise to manufacture and label, such acts of the foreign principal should not be considered justified. Under such circumstances, as a business operator in the same industry, the domestic manufacturing plant should satisfy a higher level of duty of care. If the domestic manufacturing plant knows or should have known that the domestic trademark is of some fame or even a well-known trademark in China, and that the foreign principal has engaged in alleged malicious squatting of the Chinese trademark, but still accepts the commission, it should be held that the domestic manufacturing plant is at fault and must assume the relevant civil liabilities. For the same reasons, if a domestic trademark owner allegedly squats a trademark of other territories maliciously, and the evidence shows that a domestic manufacturing plant has fulfilled the reasonable duty of care about the foreign commission, and all labeled products are exported, the domestic trademark owner cannot hinder the domestic manufacturing plant from engaging in foreign original equipment manufacturing business.

In the present case, PD Company’s registration of the “长风 CHANGFENG” trademark in Indonesia in 1987 cannot be justified. The official language in Indonesia is Indonesian, but PD Company registered the trademark “长风 CHANGFENG”, the major parts of which are the Chinese characters “长风” and their Pinyin “CHANGFENG”, identical with the mark of Shanghai Changfeng Company, and the time was after Shanghai Changfeng company’s “长风 CHANGFENG” radios entered into the Indonesian market in 1960s. The unjustification of such registration is obvious. Although the pleadings of Shanghai Changfeng Company in Indonesia were eventually dismissed after several lawsuits, there are still reasonable grounds for this trial court to believe that the registration by PD Company in Indonesia cannot be justified.

Beijing Elite Company knew that the “长风 CHANGFENG” trademark of Shanghai Changfeng Company is well-known in China, and should have

known that the disputes regarding the “长风 CHANGFENG” trademark between Shanghai Changfeng Company and Indonesian PD Company have lasted for a long period of time. And it also made a commitment of no more infringements in 2008’s compensation agreement. It still accepted the foreign commission to use the trademark identical with the “长风 CHANGFENG” trademark of Shanghai Changfeng Company on same goods. It failed to satisfy the reasonable duty of care, and substantively harmed benefits of Shanghai Changfeng Company, and should be held to infringe on the registered trademark rights of Shanghai Changfeng Company.

17. The trial court ruled that Beijing Elite Company is restrained from further infringing on the registered trademark “长风 CHANGFENG” of Shanghai Changfeng Company, and ordered Beijing Elite Company to compensate Shanghai Changfeng Company for the economic damages suffered as a result of the unlawful infringement.

### **Pleadings**

18. Beijing Elite Company appealed to Beijing Intellectual Property Court, requesting the court to reverse the judgment of the trial court and rule that its conduct does not constitute infringement of Shanghai Changfeng Company’s “长风 CHANGFENG” trademark.