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The SPC denies trademark infringement in a bad faith lawsuit against Michael Kors (2020)

Time: Mar 30 2020

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Zhigang Zhu and Paul Ranjard

On March 30, 2020, the Supreme People's Court issued a retrial decision, confirming previous judgments rendered by Hangzhou Intermediate Court and Zhejiang High Court, which had dismissed an infringement claim initiated by a Chinese registered trademark owner against the world-famous brand Michael Kors. The courts, however, took the precaution to explain that, when the prior (or senior) trademark has a low reputation and the later (or junior) trademark is well known, there is a risk of "reverse confusion" to the effect that the "senior" trademark might be deprived of the ability to expand because the consumers may be misled to believe that its products carry the well-known brand. In such a situation, the courts consider that protection should still be granted to the owner of the "senior", registered yet unknown to the public, trademark.

In this case, however, the decisions were rendered against the owner of the "senior" registered trademark. The first and second instance courts and finally the Supreme People Court, found that the case had been filed in bad faith, and dismissed the claim. Their reasoning was, however, a bit more sophisticated than that:

Facts:

On February 7, 1999, Chenghai Jianfa Craft Handbag Factory registered  as a trademark in class 18, covering goods like "bags, handbags, etc."

The use of this trademark remained relatively limited and most of the products were exported overseas.

In 2015, Jianfa found that the company Micheal Kors (Switzerland) International GMBH was using the following logos:



In February and August 2015, Jianfa itself applied for the registration of  and  in class 18, and started using the  logo on its own products.

Then, in October 2015, Jianfa made several notarized purchases in different cities and filed a civil action with Hangzhou Intermediate Court in 2017, claiming trademark infringement and seeking damages of 950 million RMB.

Michael Kors argued that it had been doing business in China since November 4, 2013 and it is the owner of several trademark registrations in the country:

No.	Trademark	Class	Registration date
No. 4093300	MICHAEL MICHAEL KORS	18	February 28, 2012
No. 3603883	MICHAEL KORS	18	March 28, 2013
No. 3603887	MK MICHAEL KORS	18	June 7, 2013
No. 3305815	MICHAEL KORS	18	March 28, 2014
No. 16623338		6	November 28, 2016

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No. 16623340	 Identical to 16623338, but with the words MICHAEL KORS inscribed in the circle	6	November 28, 2016
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Both Hangzhou Intermediate Court and Zhejiang Hight Court dismissed Jianfa's claim. Jianfa then filed a retrial application with the Supreme People's Court.

SPC holds:

On March 30, 2020, the Supreme People's Court dismissed Jianfa's retrial application and gave the following reasons:

mk · MK ·  logos are not identical to the  trademark:

The three allegedly infringing logos and Jianfa's mark are not identical trademarks: they are simple letter combination and, even though the two letters are the same, the fonts and the designs are different.

mk · MK ·  ·  logos are not confusingly similar to the  trademark:

The  trademark, being merely composed of two stylish letters, is not very distinctive, and did not gain stronger distinctiveness and reputation through use. Although this trademark has been used since 1999, the use evidence is very limited and most of the products were exported overseas.

Besides, the fact that, in 2015, Jianfa used and filed applications for  and , which were Michael Kors own trademarks, indicates that it had given up its efforts to improve the distinctness of the  trademark, and was even intentionally seeking some market confusion with Michael Kors.

The court made several additional statements : Michael Kors entered the Chinese market in 2011 and continuously used the  logo which had already been in use overseas since 2008; Michael Kors has obtained a very high reputation and enjoys a very stable clientele; the letters MK, which are the initials of MICHAEL KORS, have always been used together with MICHAEL KORS, so that consumers can establish a link between MK and MICHAEL KORS; therefore, Michael Kors did not use Jianfa's mark in bad faith to create a confusion among consumers; moreover, Michael Kors has reasonable reasons to use the MK logos, and has been using different fonts in order to avoid disturbing Jianfa's market development; finally, Jianfa and Michael Kors have different clienteles and distribution channels; Jianfa's products are low priced and mainly target oversea markets via Yiwu market or online platforms, while Michael Kors are mainly sold in franchised stores with higher price. Objectively, such differences will cause no confusion among relevant public.

Nevertheless, the court confirmed that mk and MK use the same letters as the  trademark and are not specially designed; although there are only very few examples of use of these two logos on the official website, wechat account, etc., in order to clear the boundaries between both parties, Michael Kors must stop using these two logos. Moreover, Michael Kors must use the two words "MICHAEL KORS" or any other distinctive logo together with  and , in order to avoid any possible confusion with Jianfa's trademark.

Comments:

This case is exemplary. It shows that, even if, in principle, a "small" registered trademark should be protected against an infringement committed by bigger, but later trademark, this can only apply if the owner of the small, registered trademark remains acting in good faith, and – as was shown in this case – is not trying to benefit from the reputation of the trademark that it is suing.

However, some of the court's reasoning, were unnecessary and quite arguable: the fact that the plaintiff's trademark had a low distinctiveness and a low reputation, versus the high reputation of Michael Kors' trademarks, was irrelevant. The different price ranges, different distribution channels, or even the absence of bad faith on the part of Michael Kors, which leads to the conclusion that there was no "reverse confusion", are, to say the least, arguable. It is true that, when assessing the likelihood of confusion between two trademarks, the courts must take into consideration all the circumstances of the case, including the level of distinctiveness and the reputation of the trademark seeking protection. However, price ranges, distribution channels and good faith on the part of the alleged infringer are usually considered irrelevant.