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Chinese court awards Xiaomi RMB 30 million damages

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Xiaomi owns the registered trademarks “小米” (Chinese characters of Xiaomi) and ‘’ in class 9, designating goods including “laptop, mobile phone, videophone” and “mobile phone” respectively. The said trademarks were registered on April 28, 2011, and July 7, 2012. Through extensive and long-term use and promotion, these trademarks have been recognized by Chinese judiciary and the CNIPA as having reached well-known status on various occasions.

Hangzhou PA RUI SI Jewelry Ltd. (PRS) filed on December 26, 2016, and on January 16, 2017, and obtained on February 7, 2018, and on April 14, 2018, the registration of “爽米” and “” trademarks in class 10, designating “sex toy, massage apparatus”, among others.

On September 14, 2020, Xiaomi initiated trademark invalidation action against “

Xiaomi found that PRS, Hangzhou Shuang Mi Sci & Tech Ltd. (Hangzhou Shuang Mi), Dongguan Shuang Mi Sci & Tech Ltd. (Dongguan Shuang Mi), as well as an individual named Yi Xinjuan (hereinafter collectively referred to as “four defendants”) extensively used “爽米” and “

The four defendants coordinated their roles in jointly committing trademark infringement and unfair competition acts. The defendant companies are closely linked entities with cross holdings and executive roles filled by the same individuals, creating a highly interconnected management structure. Specifically:

- Other than registering and licensing Hangzhou Shuang Mi and Dongguan Shuang Mi to use the infringing trademarks, PRS was an active participant in the licensees’ infringement act.
- Dongguan Shuang Mi was responsible for manufacturing infringing sex toys.
- Hangzhou Shuang Mi was responsible for the marketing and promotion of the infringing sex toys.
- Yi Xinjuan, the ex-legal representative of Dongguan Shuang Mi, was directly involved in the infringement act of Dongguan Shuang Mi and served as the marketing director of Hangzhou Shuang Mi Dongguan Office.

In May 2021, Xiaomi sued the defendants before the BIPC. The plaintiff sought court injunctions over trademark infringement and unfair competition, requested court to enjoin the defendants’ use of the trade name Shuang Mi, to order mandatory change of the aforesaid trade name so that the new trade name does not comprise any expression similar to “小米”, and to award damages of RMB 30 million and reasonable cost of RMB 150,000.

On November 1, 2023, the court ruled in favor of Xiaomi in both trademark infringement and unfair competition. In particular, the court held that:

- The evidence adduced by the plaintiff sufficed to prove that Xiaomi had extensively and continuously used and promoted the “小米” and “<img alt="小米 logo" data-bbox="555 975 585 995}” trademarks on “mobile phones” insofar as it had reached well-

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• The infringing marks are the reproduction and imitation of Xiaomi's well-known trademarks (WKTMs). The defendants intentionally piggybacked on the plaintiff's goodwill, which was likely to create confusion, sever the inherent association between the plaintiff's WKTMs and its mobile phones, undermine the distinctiveness of the WKTMs and tarnish the plaintiff's market reputation. The court therefore found that trademark infringement could be established.

• The defendants committed joint infringement. The court dismissed the non-infringement defence of the defendants based on the findings that: 1) the various "爽米", "爽米SHUANG" and "SM 爽米" marks filed by PRS were reproduction and imitation of the plaintiff's WKTMs; 2) the effective decision rendered by the Beijing High Court over the invalidation of the "SM 爽米" trademark meant that the exclusive right to use such mark should be deemed non-existent ab initio; 3) PRS failed to obtain registration for various "爽米" and "爽米SM" marks on sex toys; and 4) in actual use, Hangzhou Shuang Mi and Dongguan Shuang Mi used the accused infringing marks on goods that went beyond those designated by such marks.

• The defendants mimicked Xiaomi's renowned and distinctive tagline "小米, 为发烧而生" (Xiaomi, born for aficionado) and intentionally registered "爽米" as trade name, which was a calculated and systematic scheme to serve the purpose of trademark infringement and unfair competition. The defendants did not stop the infringement even after the invalidation of the infringing "SM 爽米" trademark and the initiation of this suit. By using the trade name "爽米", in combination with the extensive use of expression "爽米 为发 '骚' 而生" and "爽米 为情趣而生", which imitate Xiaomi's distinctive tagline, the defendants either deliberately intended to create confusion and misidentification among the consumers over the source of origin of their infringing sex toy products, or aimed to freeride the goodwill and reputation of the plaintiff so that the consumers would associate their products, brand and tagline with that of the plaintiff's so as to acquire unfair business opportunities or interests. The court thus found that unfair competition could be established.

• Re the calculation of damages, the court ascertained that: 1) the sales revenue of the infringing products amounted to no less than RMB 77 million during the period of 2018 - 2022; and 2) the operating profit or sales profit margin should be no less than 15%. Therefore, the profit the defendants yielded from the manufacturing and sale of the infringing products would be no less than RMB 11.55 million. By taking into account the bad faith of the defendants, the severity of the infringement and the prejudices the plaintiff suffered, the court sided with the plaintiff that treble punitive damages is warranted. The court thus found that the total amount of damages should be RMB 11.55 million + RMB 11.55 million x 3 = RMB 46.2 million. As the amount is way more than the amount of damages claimed by the plaintiff, the court decided to grant the plaintiff the full amount of the claimed damages of RMB 30 million. The court also ordered the defendants to jointly compensate the plaintiff RMB 150,000 for reasonable expenses.

The defendants later appealed before the Beijing High Court. However, as the appellants refused to appear in court without due cause, the court of appeal ruled on July 5, 2024, that the appeal should be deemed to have been withdrawn by the appellants and the first instance decision has entered into force as of the date of service.

The firm represented Xiaomi's interests throughout the CNIPA invalidation proceeding and the ensuing administrative litigation, as well as the two instances of civil litigation.

Mobile phone, the designated goods of Xiaomi's cited trademarks are quite different from those (sex toys) of the infringing trademarks. By extensively using the infringing trademarks on sex toys and as trade name and in tagline in business promotion, the defendants have launched a systematic and well-orchestrated "campaign" designed to piggyback on the goodwill and reputation of Xiaomi's well-known trademarks by creating association between their sex toy products and Xiaomi. Such act not only gives the defendants unfair business opportunities and interests but also tarnishes the market reputation of Xiaomi's well-known trademarks, thus should be prohibited and punished. The Beijing IP Court, by recognizing the well-known trademark status of the cited marks and imposing punitive damages, offers strong deterrence to the infringers.