

# VIVIEN CHAN & Co.

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## The Michael Jordan Case and The New Balance Case The Latest Trend in Chinese Trademark Battle

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### I. MICHAEL JORDAN:

#### PROTECT YOUR NAME IN CHINA EARLY

After eight years of lawsuit, the NBA legend, Michael Jordan won a hard battle against Qiaodan Sports Co., Ltd. ("**Qiaodan Sports**") in China. The Supreme People's Court of the PRC (the "**SPC**") overturned the lower courts' decisions and ruled in favour of him in the invalidation proceedings against the mark "**乔丹**" (Reg. No. 6020578) (the "**Disputed Trademark**") registered by Qiaodan Sports in Class 25.

The main issue was whether the registration and use of the Disputed Trademark infringed upon Michael Jordan's prior name right and right of portrait as protected by Article 31 of the Trademark Law of PRC, and therefore the Disputed Trademark should be invalidated. In the judgment, it was held that the name "乔丹" had acquired a high level of fame and reputation in China, and the local public was accustomed to referring to Michael Jordan by "乔丹". The SPC held that there has been a stable corresponding relationship between "乔丹" and Michael Jordan, and therefore the registration and use of the Disputed Trademark would infringe upon Michael Jordan's prior name right and cause public confusion. The SPC ordered the China National Intellectual Property Administration (CNIPA) to re-examine the invalidation proceedings against the Disputed Trademark.

It is worth noting that the lower levels all found "乔丹" (transliteration of "Jordan" in Simplified Chinese) in the Disputed Trademark to be a common surname, and such surname did not have any "absolute" or "sole" corresponding relationship with Michael Jordan or "迈克尔·乔丹" (transliteration of "Michael Jordan" in Simplified Chinese). That said, with the substantial volume of evidence submitted, including over 200 newspaper articles, over 1,000 articles in sports and educational magazines as well as various books and monographs published which used "乔丹" alone to refer to Michael Jordan, the SPC was persuaded to accept that a "stable" corresponding relationship between Michael Jordan and "乔丹" has been established, that Michael Jordan has prior name right over "乔丹".

Michel Jordan also submitted two investigation reports with results that were highly favorable to Michael Jordan, for examples:

1. 85% of the interviewees said "Michael Jordan" was the first thing that would come to their mind when "乔丹" was mentioned, while around 15% answered "Qiaodan Sports".
2. Further, when asked whether they believed Michael Jordan and Qiaodan Sports to be related, nearly 70% answered in the affirmative.

3. More significantly, over 90% of the interviewees who had bought the products of Qiaodan Sports answered that they believed the products of Qiaodan Sports to be related to Michael Jordan.

The investigations relied upon by Michel Jordan included face-to-face interviews conducted with residents in five prominent cities, namely Beijing, Shanghai, Guangzhou, Chengdu and Changshu, conducted in the presence of a notary public. In fact, Qiaodan Sports also submitted an investigation report showing contrary results that only 7% of the interviewees considered “乔丹体育” (transliteration of “Jordan Sports” in Simplified Chinese) belong to Michael Jordan, yet without any further details. The SPC was persuaded and accepted the reports submitted by Michel Jordan and stated that the conclusion drawn was more convincing given that the investigation process was highly regulated. On the contrary, the lack of record of the investigation procedures, surveys and questions asked, as well as the sources of the data and conclusion cast doubt on the validity of the investigation report submitted by Qiaodan Sports.

The decision is undoubtedly a win for celebrities and brand owners using their name as the brand name who wish to rely on prior name right to defend against copycats. In particular, in relation to the proving of prior name right, the SPC adopted a more relaxed approach of requiring only a “stable” (as opposed to “absolute” or “sole”) corresponding relationship between the name in dispute and the person claiming to have the prior name right. It could be noted that apart from the articles submitted, the investigation reports played an important role in persuading the SPC to accept the “stable” corresponding relationship between Michael Jordan and “乔丹”. This judgment sets an example as to how proper survey/investigation should be conducted, and that the same would be helpful in the case where the celebrities/brand owners may have no prior trademark registrations in China.

## II. NEW BALANCE: SUCCESS CASE ON UNFAIR COMPETITION

The Shanghai Pudong People's Court (the “**Court**”) recently issued a decision in favour of New Balance in its unfair competition lawsuit with the Chinese athletic company, New Barlun (China) Co Ltd (“**New Barlun**”), awarding it damages of RMB 10.8 million (approx. US\$ 1.5 million) for unauthorized use of the stylized “N” letter on its shoes by New Barlun.

The case concluded New Balance's 16-year battle against the copycat brand who had obtained significant success by imitating New Balance's stylized “N” letter. In the previous years, New Balance had lost in the opposition and invalidation proceedings against the registration of the mark “  ” by New Barlun. New Barlun's defence of having obtained trademark registration highlights the common tactics employed by copycats. They register and use marks that are almost identical to foreign brands' marks with a slight modification to avoid facing any objection during the registration process.

In this case, New Balance successfully argued that its signature “N” letter on both sides of their sports shoes had become their trade dress with certain influence due to their repeated and consistent use since 2001, which was before the application of the mark “  ” by New Barlun, leading to its win based on unfair competition.

Although New Barlun has obtained registration for the mark “  ” and used the mark in the exact format on its shoes, they could not rely on it as a defence against the unfair competition claim. The Court highlighted that prior right of trade dress, which is a civil right, and trademark right, which is obtained through administrative procedures, are separate types of intellectual property rights with different scope and duration of protection. In case of conflicts between these two types of rights, the Court shall focus on whether the parties have acted in good faith, and determine the case based on the principles of protecting prior legitimate rights and preventing any confusion in the market.

Further, it is noteworthy that in 2017, New Balance was awarded RMB 10 million (approx. US\$ 1.4 million) in another unfair competition lawsuit against other copycats. Further to that unprecedented success, New Balance has again obtained damages which is well above the statutory compensation in this recent case. In assessing the amount of damages, although the Court refused to take the profits generated by New Barlun through selling of the infringing shoes as New Balance's actual loss, and refused to impose punitive damages, the Court exercised its discretion to award damages of RMB 10.8 million (approx. US\$ 1.5 million), which doubled the limit of the statutory compensation RMB 5 million (approx. US\$ 0.7 million) to New Balance.

This case is consistent with the trend of the Chinese Court to be exercising its discretion more often to award damages above the statutory compensation in recent years, and it also shows the Court's stepped-up effort to protect brand owners' rights in China. Other than infringement, brand owners should consider lodging unfair competition lawsuits notwithstanding the other party has obtained trademark registrations as the Chinese Court will be more willing to take into account all relevant factors instead of simply ruling on the basis of the existence of a trademark registration.

### III. TAKEAWAYS

The two recent cases show Chinese Court's determination to protect the IP rights of foreign brands in China. Rights owners may rely on prior civil rights other than trademark rights as grounds of the lawsuits and build their cases by producing a significant amount of evidence, including detailed and regulated investigations and surveys with notarization as we observe the Chinese Court is more inclined to accept them as evidence. We also expect to see more cases that brand owners can win back their missing land in their trademark battle against copycats and trademark squatters.