

Latest Chinese Trademark Battle: Lessons to Learn from MUJI's Loss in Commercial Defamation Case

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Recently Japanese company MUJI (無印良品) ("MUJI") lost yet another court case against the Chinese nemesis, Beijing Cottonfield Textile Corporation ("Beijing Cottonfield") and was ordered to pay RMB400,000 (around USD 63,500) in a commercial defamation case.

MUJI had been in a decades long legal battle with Beijing Cottonfield for trademark rights of the MUJI Chinese mark for goods in Class 24 (textile products). In this article, we will update you the latest development of this long-haul trademark battle and lessons to be learned for foreign brand owners to avoid such pitfalls when doing business in China.

Where It All Began

MUJI was established in Japan in 1980. MUJI filed trademark applications for the MUJI Chinese mark in China in 1999 in Classes 16,

20, 21, 35 and 41 before entering the Chinese market in 2005, but not in Class 24.

On the other hand, the MUJI Chinese mark had been registered by a Hainan company in China in 2001 on the goods in Class 24, including textile products, towels, bed sheet, etc.

MUJI did file an opposition against Hainan's application in Class 24 but the opposition was ultimately dismissed by the Supreme People's Court, the highest court in China, in 2012 due to the lack of evidence of use on the goods in Class 24 in Mainland China before the application date of Hainan's mark. MUJI's use evidence in Japan and Hong Kong before the application date was ruled insufficient to support its case. The mark was assigned to Beijing Cottonfield in the interim of the dispute in 2004, which founded the business "无印良品 Natural Mill" in 2011.

The 2019 High Court Decision

In 2015, Beijing Cottonfield sued MUJI for infringing on its MUJI Chinese mark that it obtained from the Hainan company in Class 24, by selling towels and bed covers bearing the same mark in China and it also argued that such behaviours constituted acts of unfair competition.

In the decision issued by the High Court in 2019, MUJI was found to have infringed the plaintiff's trademark. In the judgment, MUJI was ordered to issue a declaration to negate any impact of the infringement. With its back against the wall, MUJI used the declaration as its last resort in protesting its rights, which included this statement: -

*“In Mainland China, MUJI had registered its trademark in almost all types of goods but only on goods such as textile, towels, bed covers, the MUJI Chinese mark had been **“squatted”** by other company.”*

The Present Case on Commercial Defamation

MUJI's declaration sparked off another lawsuit filed by Beijing Cottonfield claiming that MUJI had defamed Beijing Cottonfield by stating that MUJI's mark was “squatted by other company”. In defence, MUJI argued that the declaration was no more than a statement of facts, the word “squatted” is neutral and did not point directly at Beijing Cottonfield.

MUJI lost this case as in the judgment issued in end of 2021, the Beijing Chaoyang District

Court held that MUJI's statement constituted fabrication and spreading of false facts that is contrary to the 2019 High Court judgement, and this damages the business reputation or the fame of the products of Beijing Cottonfield. MUJI was ordered to pay another RMB400,000 (around USD 63,500) as damages and issue another statement to negate the impact of the defamation.

Lessons to Learn

While it is common for brand owners to publish statement to disclaim any relationship with third parties and prevent consumer confusion, the wording of such statement has to be carefully drafted to be consistent with the most updated legal position of the parties.

In addition, companies should have a clear IP protection strategy before entering the Chinese market, in order to secure IP protection for the brand which will serve as great weapon against infringers and squatters. As demonstrated by MUJI's case, in this “first-to-file” game, late registration may turn your offensive game into a defensive one quickly.

Register your marks as soon as possible!

- Apart from securing trademark protection over the goods and services intended to be used under the brand, brand owners should secure protection in similar and related goods and/or services. For

example, cosmetic business may consider filing in related classes such as Class 25 (for clothing) and Class 44 (beauty care services), etc.

- China adopts a subclass system within each class. Brand owners should therefore file the applications in all subclasses to ensure a comprehensive protection.
- Further, the CNIPA updates the Classification Book on goods and services from time to time. Brand owners should stay abreast of these updates and secure trademark protection over the updated goods and services of interest. Recently, brand owners have been securing rights over commodities in Metaverse already.
- Brand owners need to make sure that your registrations can be maintained in case other parties file non-use cancellation against your registrations. Brand owners should preserve complete evidence chains on the exact registered

goods/services, ideally comprising of sales evidence and promotional evidence within Mainland China.

- If marks are not used or evidence are unavailable, refiling will be required every three years to stay immune from risks of non-use cancellation.
- Brand owners are recommended to conduct clearance searches before entering the Chinese market. Brands may have already acquired a certain level of fame in Mainland China, but has yet registered its trademarks. Their brand names may have been squatted already. Obstacles shall be identified and tackled early in order to secure brand protection and stay away from risk of infringement.

Well-begun is half done. Brand owners should map their intellectual property action plan well before entering into the Chinese market to avoid running into problems that MUJI has suffered.