
China: Beijing High Court Recognizes Unregistered Trademark Rights

Guangzhou KuGou Networks Ltd v. Shantou Lifeng Electric Appliances Ltd,
Beijing High Court (March 13, 2017)

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A recent decision of the Beijing High Court granted full protection to an unregistered trademark in a dispute against the owner of a later registration for the mark. In awarding protection to the unregistered mark, the High Court also clarified some of the standards for evaluating likelihood of confusion and attaining coveted “well-known status” recognition in China.

Background

Guangzhou KuGou Networks Ltd (“KuGou”) was established in 2004 and offers a music streaming and download service in China, under the mark “KuGou”. KuGou’s service is the largest online music service in China, and is available at the website www.kugou.com.

In 2009, Shantou Lifeng Electric Appliances Ltd. (“Lifeng”) filed a trademark application with the China Trademark Office for “酷狗 & KuGou” (KuGou in Chinese and English Characters), for services in Class 41. The application registered in 2011.

In 2014, KuGou filed an invalidation action against Lifeng’s registration with China’s Trademark Review and Adjudication Board (“TRAB”).

TRAB Decision

In deciding KuGou's invalidation action on the basis of KuGou's unregistered rights, the TRAB applied Articles 13.1 and 31 of the 2001 Trademark Law of the People's Republic of China ("Trademark Law"). These articles have been re-numbered as Article 13.2 and Article 32, per the 2014 revisions to the Trademark Law. However, the TRAB applied the 2001 version to this matter involving Lifeng's 2011 registration.

Article 13.1 requires the complainant to establish (i) the well-known status of the unregistered mark; and (ii) that the junior mark is likely to lead to confusion.

Article 31 requires proof that the unregistered senior trademark had been (i) previously used in China; (ii) acquired a certain influence as of the filing of the junior mark; and (iii) the filing of the junior mark was improper.

The TRAB held in KuGou's favor under both articles, finding that “酷狗” is a well-known trademark for “providing online music service (not for downloading)”, and the registration of Lifeng's mark for “entertainment, providing karaoke services, etc.” was likely to cause confusion in violation of Article 13.1. The TRAB also noted that KuGou had been using “酷狗” as its trade name before the filing of Lifeng's mark, and had attained reputation in the online music industry. The TRAB concluded that registration of Lifeng's mark also violated Article 31.

Appeal to Beijing IP Court

Lifeng appealed to the Beijing IP Court, which partially confirmed the TRAB's decision under Article 31. Specifically, the Beijing IP Court held that certain of Lifeng's designated services were not similar to KuGou's services, and that Article 13.1 did not apply to these services since it only protects unregistered well-known marks with respect to similar goods and services. Under this logic, the Beijing IP Court confirmed the invalidation of Lifeng's mark with respect to “arrangement and organization of concerts, program production, providing karaoke services; nightclub and entertainment” but maintained the registration for “fitness club, mobile library, training; book publishing; modeling for artists.”

Appeal to Beijing High Court

Both parties appealed the IP Court's decision to the Beijing High Court, which confirmed the invalidation of all of Lifeng's designated services, under both Articles 13.1 and 31. The High Court held that, in assessing likelihood of confusion under Article 13.1, the court should consider the extent of the prior mark's reputation, the level of similarity of the goods/services, and the level of similarity between the marks. The higher the reputation of the prior mark, the lower the similarity of the marks and goods/services that is required.

The High Court further noted that the purpose of Article 31 is to protect the prior trademark owner's interests arising from its trademark use, while Article 13.1 aims to prevent confusion in the marketplace. The High Court agreed with KuGou that, with respect to the services designated by Lifeng's mark, for which KuGou could not establish prior use, Article 13.1 should apply. Under Article 13.1, a likelihood of confusion arose from the reputation of KuGou's mark and the degree of similarity of the parties' marks and services, fully considered together.

Additionally, the High Court found that KuGou's evidence, which included taxes paid, advertising and promotional materials, contracts, invoices, and press/media coverage, was sufficient to establish that the “酷狗” mark was well-known before the filing date of Lifeng's mark. Notably, KuGou's evidence excluded revenues and advertising expenditures, evidence which has been traditionally required to establish well-known status.

Conclusion

This decision signals a more flexible approach by the Beijing High Court in evaluating likelihood of confusion under Article 13.1/13.2, as well as the evidence sufficient to establish well-known status. Whether this approach will be applied more uniformly, in administrative cases before the China Trademark Office and TRAB, is yet to be seen.

Further, notwithstanding this significant achievement for an unregistered prior mark, rights owners are best advised to file for their marks in China as early as possible, so as to avoid a costly legal battle to prove reputation and likelihood of confusion.

Primary Contacts

Katherine Lyon Dayton