

China: Misuse of Trademark Administrative Procedure Can Contribute to Unfair Competition, Warranting Damages

By [Katherine Lyon Dayton](#)

Brita GmbH v. Shanghai Kangdian Industrial Co., Ltd., (2017) Hu 0012 Minchu No. 26614 (Shanghai Min Hang District Court)

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The Shanghai Min Hang District Court recently found that a Chinese company's actions, which included filing numerous trademarks copying the BRITA brand of water filters, amounted to bad faith, and the court awarded statutory damages and costs. This case is significant, in that Chinese courts have generally held that the filing of trademarks in bad faith—even in large volumes—should be resolved through China's administrative procedure, rather than through the judicial system. This is the first civil decision in China in which the defendant was found to have engaged in unfair competition in meaningful part by filing bad faith applications, oppositions, and invalidation actions—though this particular defendant also engaged in substantial “real-world” infringement in the marketplace, which also supported the finding of unfair competition.

[Background](#)

The plaintiffs, Brita GmbH and its Chinese subsidiary (collectively “Brita”), first registered the BRITA trademark in China in 1993 and began offering BRITA water filters in the Chinese market in 2008. The Shanghai Min Hang District Court noted that, through Brita’s continuous use of its mark, the BRITA mark has gained a certain reputation in China.

The defendant, Shanghai Kangdian Industrial Co., Ltd. (“Kangdian”), is a local company that, beginning in 2011, sold counterfeit water filters on Alibaba using the trade name BRITA, in an effort to try to associate its business with that of Brita’s. It claimed that it was Brita’s long-term partner and that it sold authentic Brita products through Kangdian’s store on 1688.com. It opened a WeChat account using the names “BRITACHINA” and “EUBRITA,” which Kangdian promoted as Brita’s official account, using some of Brita’s images. Further, Kangdian used the infringing marks on product packaging, quality testing reports, and brochures.

Additionally, beginning in 2012, Kangdian filed 21 applications for marks copying the BRITA brand. Kangdian sought to defend Brita’s oppositions and invalidation actions against its illegitimate marks, even unsuccessfully appealing one action to the Beijing IP Court and then the Beijing Higher People’s Court. Further, Kangdian also aggressively attacked Brita’s own legitimate trademark registrations by filing oppositions and invalidation actions against Brita’s own marks.

Brita brought claims of trademark infringement and unfair competition against Kangdian.

Decision

The Court held that Kangdian infringed Brita’s trademark rights by using identical or similar marks on its product testing reports, brochures, etc. and by selling its products via WeChat under such marks.

As for the claim of unfair competition, while Brita’s trademark rights were ultimately maintained through the administrative system, this was only after Brita had undertaken numerous time-consuming administrative procedures and administrative litigations. In the nearly eight years it took Brita to resolve these actions, the Court acknowledged that Brita’s “normal business activities were severely disrupted and adversely affected.”

Further, the Court noted that while parties are expected to take advantage of China’s trademark system by filing opposition and invalidation procedures to obtain and protect their trademark rights, parties

must exercise these rights legally and not use “apparently legal forms to achieve substantively illegal ends.”

The Court determined that Kangdian’s acts fell within the scope of “substantively illegal ends” and amounted to unfair competition as provided under Article 2 of China’s Anti-Unfair Competition Law. Specifically, Kangdian’s behavior, which included filing numerous marks in bad faith in addition to misleadingly promoting itself and its products as connected with Brita, violated principles of good faith and recognized business ethics, as well as disrupted orderly market competition and damaged Brita’s legitimate rights and interests. Further, Kangdian must have been aware of Brita and its reputation, and it sought to free-ride on that reputation and interfere with Brita’s business.

The Court awarded Brita statutory damages of RMB 2.3 million (approximately US\$350,000) and enforcement-related costs of RMB 500,000 (approximately US\$75,000).

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While this decision issued from a lower court in Shanghai and is not binding on other courts, it may be referenced as persuasive evidence in future matters involving egregious acts of trademark squatting, in an effort to encourage other Chinese courts to punish particularly bad actors. It may also signal that the Chinese judiciary will, in certain extraordinary cases, be willing to acknowledge the damage and disruption caused by the most aggressive abusers of China’s trademark system. However, it is important to note that this party’s actions were part of a larger-scale system of infringement, which also involved actions in the marketplace. Thus, this case is consistent with the general rule that bad-faith trademark filings alone—without additional infringing acts—are best dealt with through the administrative procedures of opposition and invalidation actions.

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