



Trademark Litigation Review

2025

Trademark Litigation Review

2025

The second edition of the WTR Trademark Litigation Review casts an expert eye on some of the most pressing issues facing those involved in litigation on both sides of the divide, blending analytic insight with on-the-ground expertise from the key regions of the Americas, the Asia-Pacific, and Europe, the Middle East and Africa.

Generated: September 4, 2024

The information contained in this report is indicative only. Law Business Research is not responsible for any actions (or lack thereof) taken as a result of relying on or in any way using information contained in this report and in no event shall be liable for any damages resulting from reliance on or use of this information. Copyright 2006 - 2024 Law Business Research



Explore on WTR [↗](#)

Contents

Asia-Pacific Trademark Litigation Review

Key infringement cases highlight Chinese courts' approaches to damages

[Yuan Yuan](#), [Yanwen Yin](#)

[LexField Law Offices](#)

Opposition trends in China reveal CNIPA crackdown on trademark squatting

[Yan Zhang](#), [Yanfang FU](#), [Austin Chang](#)

[Beijing East IP](#)

What brand owners need to know before taking legal action in China

[Ray \(Lei\) ZHAO](#)

[Unitalen Attorneys at Law](#)

China: Comprehensive legislative framework underpins domestic and international IP protection

[Aimin Huo](#)

[CCPIT Patent and Trademark Law Office](#)

India: High court jurisdiction questions set to reshape IP litigation

[Suhrita Majumdar](#), [Afzal B Khan](#), [Dipro Dawn](#)

[S Majumdar & Co](#)

Japan: Ensuring success under the trademark enforcement framework

[Masayuki Yamanouchi](#), [Yuta Oishi](#), [Koki Sasaki](#), [Satoko Yokogawa](#)

[Anderson Mōri & Tomotsune](#)

Americas Trademark Litigation Review

Specialist Chapter: How Brands Manage Trademark Litigation in the Downtimes – and How Private Practice can Provide What They Need

[Elizabeth Rutherford-Johnson](#), [Sienna Bentley](#)

Canada: Winning Strategies for Litigating Before the Courts

[Dominique Hussey](#), [Melissa Dimilta](#)

[Bennett Jones](#)

United States: Last 12 Months See New Court Precedents and Fresh Ways to Challenge Existing Registrations

[Lauren Gregory Leipold](#), [Kenneth L Wilton](#)

[Seyfarth Shaw LLP](#)

Europe, Middle East and Africa Trademark Litigation Review

Specialist Chapter: Key Cases Spotlight Challenges of Litigating Pharmaceutical Trademarks in Germany

[Alexander Thünken](#)

[Uexküll & Stolberg](#)

Germany: Audi Finds Success and Tech Applications on the Rise amid Case Law Updates on the Scope of Preliminary Injunctions

[Mathias Zintler](#), [Florian Stoll](#), [Nikolaus Schmidt-Hamkens](#)

[KNPZ Rechtsanwälte](#)

Poland: Amends to Civil Procedure Code Act to have Serious Impact on Enforceability

[Krystyna Szczepanowska-Kozłowska](#)

[A&O Shearman](#)

Spain: Alicante Commercial Court Takes Issue with Online 'Hidden' Trademark Use

[Esther Gómez](#)

[Grau & Angulo](#)

Specialist chapter: Crucial Considerations for Brand Owners Contemplating Legal Action in Spain

[Lucas Flores Dreosti](#)

[Ballester IP](#)

Romania: Key Developments Following Implementation of the EU Enforcement Directive

[Ionu Cofaru](#) [Vlad St nese](#) [Cristian Cealera](#)

[Răzvan Dincă & Asociații](#)

Key infringement cases highlight Chinese courts' approaches to damages

Yuan Yuan and Yanwen Yin

LexField Law Offices

Summary

[IN SUMMARY](#)

[DISCUSSION POINTS](#)

[REFERENCED IN THIS ARTICLE](#)

[CHATEAU LAFITE CASE](#)

[PAN PAN CASE](#)

[SIEMENS CASE](#)

[CALCULATION OF BENEFITS OBTAINED BY INFRINGERS](#)

[PUNITIVE DAMAGES](#)

[ENDNOTES](#)

IN SUMMARY

Damages awards are key issues that right holders care about, especially after Chinese courts have implemented punitive damages since 2013. Recently, there have been some major cases in China that have been granted a very high number of damages awards. This article mainly introduces some typical cases in the past year and the Chinese laws and regulations on damages awards and punitive damages, which are helpful for rights holders to collect evidence and claim punitive damages in a trademark infringement civil lawsuit.

DISCUSSION POINTS

- Recent trademark infringement cases in China with high damages awards
 - Methods of calculating benefits obtained by the infringers in trademark infringement cases
 - Considerations of Chinese courts on damages awards
 - Application of punitive damages
 - Evidence collection to prove damages in practice
-

REFERENCED IN THIS ARTICLE

- Chinese Trademark Law
 - Supreme People's Court Interpretation on the Application of Punitive Damages in Civil Cases of Intellectual Property Infringement
 - Supreme People's Court Provisions on Several Issues Concerning Evidence in Civil Litigation of Intellectual Property Rights
 - *Chateau Lafite*
 - *Pan Pan*
 - *Siemens*
-

Article 63 of the Chinese Trademark Law stipulates the following ways to calculate damages: the actual losses suffered by the rights holder, the benefits gained by the infringers due to the infringement and a reasonable multiple of the trademark licensing fee. The above calculation methods should be applied in order and are subject to five times of punitive damages at most if the infringement is severe and of bad faith. If all methods are not able to determine the damages, the court shall award compensation by discretion in the range of under 5 million yuan (statutory damages).^[1]

In practice, statutory damages are mostly applied. After 2019, punitive damages have increasingly been applied by the courts. When calculating damages, the most commonly applicable method is calculating the benefits gained by the infringers. In the past year, there were several high damages awards cases in China, and they applied different methods to calculate the damages amounts, which demonstrates the current judicial trend towards

punishing and deterring infringers. Below are three typical cases, which were listed in the national top 10 of intellectual property cases or the local top 10 of intellectual property cases.

CHATEAU LAFITE CASE

The plaintiff was the trademark holder of 'LAFITE' and 'CHATEAU LAFITE ROTHSCHILD' for wine.^[2] The infringers registered and used the trademarks 'CHATEAU LAFITE in Chinese' and 'LAFEI MANOR' for wine. The Court decided that both marks were similar to the plaintiff's marks and such use constituted trademark infringement.

As for the damages awards, the plaintiff claimed to calculate them based on the benefits gained by the infringers, namely, sales volume times profit rate, and claimed punitive damages. The Court thoroughly examined all the evidence submitted by each party and made the following calculation.

First, based on the sales invoices and customs declaration forms of importing wine, the Court calculated the whole sales volume of the infringing goods.

Second, the Court needed to calculate the profit rate by comparing the infringing goods' selling price and cost price. As the infringing goods were sold in different units, such as bottle, box and set, etc, the Court decided to calculate the same per bottle, which is the minimum selling unit, by dividing the whole sales volume and number of sold bottles extracted from invoices.

The cost price of infringing goods was calculated based on the customs declaration forms as the wine was imported to China. Pursuant to the price of each litre of imported wine and the fact that each bottle of wine contains 0.75 litre, the Court was able to calculate the cost price per bottle. Therefore, the profit rate equalled to:

$$\frac{\text{(Selling price per bottle - cost price per bottle)}}{\text{Selling price per bottle}}$$

The benefits the infringers gained could then be calculated accordingly.

Finally, as for the claim of punitive damages, the Court considered the high reputation of LAFITE, the extensive sales scales of the infringers and the misleading advertising of taking a free ride on LAFITE's reputation, and granted two times the punitive damages.

PAN PAN CASE

The plaintiff was the trademark holder of 'Pan Pan', which is a reputable brand of security doors in China, and its house logo is a panda.^[3] The infringers registered a company with the trade name 'Xin Pan Pan' engaging in the same business of construction materials, including security doors and windows. The infringers also prominently used 'Xin Pan Pan' as a trademark extensively, including in the domain name, website, WeChat account, app, advertising brochures and offline shops. The Court decided that both parties' marks were similar and were used on similar goods. The infringers' behaviour easily caused confusion and constituted trademark infringement.

In this case, the plaintiff was not able to collect the infringers' sales data, and the infringers stated there were no proper financial documents to calculate their profits during the infringing period (2017–2019). Under this circumstance, although the evidence submitted

by the plaintiff was not very sufficient or accurate, it could be used as valid evidence of the infringers' profits.

The evidence submitted by the plaintiff mainly included advertising material in 2018 in which the infringers declared they would reach one billion yuan in production value and a 50 per cent growth rate per year in the next five years. Based on the aforesaid statistics, the Court was able to figure out the total sales volume from 2017 to 2019 to be 361 million yuan. As for the profit rate, the Court adopted a national average profit rate of 7.5 per cent in the furniture manufacturing industry in 2017. Therefore, the profit gained from the infringement was 27.075 million yuan (361 times 7.5 per cent).

The Court granted four times the punitive damages in this case, due to the following considerations:

- the legal representative of the infringers had business relationship with the plaintiff and should have known about 'Pan Pan' trademark;
- the infringers not only plagiarised the 'Pan Pan' mark, but also used a similar panda logo;
- the infringers sometimes omitted the 'Xin' character and directly used 'Pan Pan';
- even after the 'Xin Pan Pan' mark was invalidated, the infringers still continued the infringement; and
- the infringers' business expanded to 12 provinces and 180 distributors and nearly 100 offline shops.

The damages awards were determined to be 108.3 million yuan (27.075 times 4) and more than the plaintiff's claim of 95 million yuan. Therefore, the plaintiff's claim was fully supported by the court.

SIEMENS CASE

Siemens is a famous brand of household electric appliance. The infringers used 'Shanghai Siemens Electrics Co, Ltd' (a shell company registered in Seychelles) on its washing machines. The Court decided the above company name was used as a trademark with the function of identifying the source and 'Siemens' was the distinctive part, which was identical with the plaintiff's mark. Such behaviour constituted trademark infringement and the use of 'Siemens' as trade name constituted unfair competition.^[4]

The plaintiff claimed damages awards of 100 million yuan based on the infringers' benefits due to the infringement.^[5] However, the plaintiff failed to submit financial information of the infringers to prove this. The Court demanded the infringers submit their account books to ascertain the facts, but the infringers did not cooperate. The Court thus considered the following points to determine the damages:

- Siemens was an enterprise in the Fortune Global 500 and its trademark had acquired a high reputation.
- The infringers obviously acted in bad faith as they should have known about Siemens, and they also plagiarised other brands, such as Philips and AO Smith.
- The scale of infringement was extensive, considering the plaintiff discovered infringing washing machines in many provinces, and the infringers claimed to have

more than 1500 distributors, with sales volumes of 1.5 billion yuan per year, and their business lasted for around five years.

- Referring to the annual reports of other peer operators in the industry of washing machines, the Court admitted an average profit rate of 35 per cent. Out of the total sales volume of 1.5 billion yuan for all washing machines, the Court decided 1/15 of them were branded with an infringing mark by discretion. Hence, the infringers' benefits would be 1.5 billion times 1/15 times 35 per cent times 5, namely, 175 million yuan, which was beyond the plaintiff's claim.
- Based on the above, the plaintiff's claim of 100 million yuan should be fully supported.

CALCULATION OF BENEFITS OBTAINED BY INFRINGERS

Damages awards are an important part of increasing the deterrence of civil action. If infringers could make more profits than damages awards, civil action would certainly not be able to stop infringement. On the other hand, Chinese laws follow the Principle of Indemnity that damages awards should cover the right holders' losses but should not be more, to prevent malicious lawsuits. In practice, it has always been a challenge for right holders to collect sufficient evidence to accurately calculate infringers' benefits, and the court is usually inclined to decide damages awards by discretion, which is easier without many calculations.

The above three cases share the following common points that allow the court to determine very high damages awards: the right holders had some basic evidence to prove the infringers' benefits, such as invoices, customs declaration forms, statements from the infringers in some advertising materials; and the benefits were clearly much more than the statutory amount (5 million yuan). Under such circumstances, it would be unconscionable to decide the damages awards under the range of 5 million yuan.

There is another productive way for right holders to claim damages by requiring infringers to provide financial statistics. The Chinese Trademark Law stipulates that:

In order to determine the amount of damages, when the right holders have made every effort to provide evidence, and the account books and materials related to the infringement are mainly in the possession of the infringers, the court may order the infringers to provide such account books and materials related to the infringement; if the infringers do not provide the same or provide false accounts and materials, the court may refer to the rights holders' claims and provided evidence to determine the amount of damages.^[6]

Furthermore, the Supreme People's Court Provisions on Several Issues Concerning Evidence in Civil Litigation of Intellectual Property Rights stipulates that:

The court, in accordance with the law, requires the parties to submit relevant evidence. If a party refuses to submit without justifiable reasons, submits false evidence, destroys evidence, or engages in other acts that render the evidence unusable, the court may presume that the claims of the other party concerning the matters to be proved by such evidence are established.^[7]

The above laws and regulations basically form the system of proof impairment in China and are very helpful for right holders to reduce their liability of proof. With the above support, the right holders first collect some basic evidence of the infringers' profits, such as: sales data displayed on e-commerce platforms; the infringers' self-admission at some event or in advertising materials (especially TikTok videos and Little Red Book posts); and the average rate of profit in the industry. Based on this evidence, the right holders further file a request with the court for account books and materials related to the infringement from the infringers. If the infringers do not cooperate with the court's order, they shall bear the negative consequences, and the right holders' evidence and calculations will be very likely to be admitted by the court.

PUNITIVE DAMAGES

Punitive damages are a relatively new system in China.^[8] They are predicated on the plaintiff's request, and the court must not apply punitive damages on its own initiative. Punitive damages must be claimed before the conclusion of the court debate in the first instance. Applying punitive damages requires two preconditions: the infringement is severe and in bad faith (intentional). The Supreme People's Court Interpretation on the Application of Punitive Damages in Civil Cases of Intellectual Property Infringement (the Judicial Interpretation on Punitive Damages) explains in detail the application of punitive damages.

In 'severe' cases, the Judicial Interpretation on Punitive Damages lists the following conditions:

- committing the same or a similar infringement again after being administratively penalised or adjudicated by the court for infringement, the infringer again commits the same or a similar infringement;
- engaging in the infringement of intellectual property rights as a business;
- fabricating, destroying or concealing evidence of the infringement;
- refusing to comply with preservation rulings;
- the profits obtained from the infringement or losses suffered by the right holder are substantial;
- the infringement may endanger national security, public interest or personal health; and
- other circumstances that can be determined as severe.^[9]

In bad faith cases, the Judicial Interpretation on Punitive Damages lists the following conditions:

- the infringer continues to commit the infringement after being notified or warned by the right holder or an interested party;
- the infringer or its legal representative or administrator is the legal representative, administrator or actual controller of the right holder or an interested party;
- there exists a labour, service, cooperation, licensing, distribution, agency, representation or other such relationship between the infringer and the right holder or an interested party, and the infringer has had access to the infringed intellectual property;
-

there have been business dealings or negotiations for the purpose of reaching a contract between the infringer and the right holder or an interested party, and the infringer has had access to the infringed intellectual property;

- the infringer engages in piracy or counterfeiting registered trademarks; and
- other circumstances that can be deemed as bad faith or intentional.^[10]

If a trademark infringement case meets the above requirements, then punitive damages can be considered. The punitive damages are calculated by base number times a multiple. As mentioned above, the base number should be determined by the actual losses suffered by the right holder, the benefits gained by the infringer due to the infringement and a reasonable multiple of the licensing fee for the trademark. As for the multiple, the Judicial Interpretation on Punitive Damages stipulates the factors to consider, namely, the degree of the infringers' subjective fault and the severity of the infringement act, etc.^[11] These considerations are quite general, so in practice the multiple is mainly decided discretionarily by the court, and the multiple does not have to be an integer, according to the understanding and application of the Judicial Interpretation on Punitive Damages.^[12]

Technically, punitive damages only apply when the damages can be calculated by the actual losses suffered by the right holder, the benefits obtained by the infringer due to the infringement or the multiple of the licensing fee for the trademark. If the court applies statutory damages, punitive damages should not be adopted. This is mainly because of the consideration that when the court decides the amount of statutory damages within the 5 million yuan limit, it should have considered the factors of the reputation of the right holder, the severity of the infringement and the bad faith of the infringer, etc, which already include the factors of punitive damages.

In the past few years, there have been some cases that adopt punitive damages and statutory damages at the same time. That is to say, for the damages that can be calculated and ascertained (with evidence such as sales data), the court calculates the same and rules punitive damages accordingly; for the damages that cannot be accurately calculated (without sufficient evidence), the court decides the amount at its discretion. The final damages awards will be the sum of the above two parts.^[13] This mainly happens when the infringement is severe, and each part of damages alone may not be able to cover the right holders' losses or to deter the infringers. This is a new and meaningful exploration of the damages awards system that can help the right holders to reduce their burden proof and better defend their interests. As we know, it is challenging for right holders to have the exact financial information of the infringers, especially considering that many infringers in China are rather small-scale, with no standardised financial management. Therefore, with this new tendency, punitive damages can be used more often and play a more important role in future trademark infringement cases.

Currently, the examination criteria of damages awards and punitive damages still varies in different provinces and courts in China, especially when the evidence is insufficient to calculate the damages from infringers' benefits accurately. Some courts stick to the statutory damages and have a high standard for evidence, some are more open to discretionary damages and are willing to apply punitive damages when there is only basic evidence. For rights holders, it is advisable to arrange a thorough investigation against the infringers before initiating the lawsuit and try to establish jurisdiction in the more open courts.

Here are two insights for the right holders in defending their rights through the above three typical cases and the judicial interpretation on punitive damages:

- They should actively defend their rights, such as filing oppositions or invalidations against malicious trademarks, or sending demand letters to infringers, because these measures can lead to the infringers' activities being considered repeated infringements, which can then be subject to punitive damages.
- They should fully utilise sales data disclosed by infringers through their website and other public channels to prove infringers' profits.

Endnotes

- 1 Article 63 of the Chinese Trademark Law. [^ Back to section](#)
- 2 One of the national top 10 intellectual property cases in China in 2023, [2022] Zui Gao Fa Min Zhong No. 313. [^ Back to section](#)
- 3 One of the top 10 intellectual property cases in Jiangsu Province in 2023, [2022] Zui Gao Fa Min Zhong No. 209. [^ Back to section](#)
- 4 One of the national top 10 intellectual property cases in China in 2023, [2022] Zui Gao Fa Min Zhong No. 312. [^ Back to section](#)
- 5 The plaintiff claimed damages based on unfair competition, not the trademark infringement. But considering the spirit of trademark law and anti-unfair competition law on damages awards is the same, and this case is rather representative, it is included in the article. [^ Back to section](#)
- 6 Article 63 of Chinese Trademark Law. [^ Back to section](#)
- 7 Article 25 of the Supreme People's Court Provisions on Several Issues Concerning Evidence in Civil Litigation of Intellectual Property Rights. [^ Back to section](#)
- 8 Punitive damages were included in Chinese Trademark Law in 2013 when the multiple was three times at most. In 2019, the Chinese Trademark Law was amended, and the multiple was raised up to five times. In 2021, punitive damages were added into Civil Code. [^ Back to section](#)
- 9 Article 4 of the Judicial Interpretation on Punitive Damages. [^ Back to section](#)
- 10 Article 3 of the Judicial Interpretation on Punitive Damages. [^ Back to section](#)
- 11 Article 6 of the Judicial Interpretation on Punitive Damages. [^ Back to section](#)
- 12 <https://www.court.gov.cn/zixun/xiangqing/297121.html>. [^ Back to section](#)

13 [2022] Hu 73 Min Zhong No. 187. [2020] Yue 0104 Min Chu No. 46217. [^ Back to section](#)



Yuan Yuan
Yanwen Yin

yuan.yuan@lexfieldlaw.com
yanwen.yin@lexfieldlaw.com

Suite 1009, China Life Tower, 16 Chao Yang Men Wai Street, Chaoyang District, Beijing
100020, China

Tel: +86 10 8525 3366

<http://lexfieldlaw.com>

[Read more from this firm on WTR](#)

Opposition trends in China reveal CNIPA crackdown on trademark squatting

[Yan Zhang](#), [Yanfang FU](#) and [Austin Chang](#)

[Beijing East IP](#)

Summary

[IN SUMMARY](#)

[DISCUSSION POINTS](#)

[REFERENCED IN THIS ARTICLE](#)

[THINK STRATEGICALLY: FILING OPPOSITION OR PROCEED DIRECTLY TO INVALIDATION](#)

[SELECT ADEQUATE OPPOSITION GROUNDS BASED ON EXAMINATION TRENDS](#)

[RECENT TRENDS ON APPLYING CATCH-ALL PROVISIONS FOR BAD FAITH FILINGS](#)

[SUFFICIENCY OF EVIDENCE AFFECTING LIKELIHOOD OF SUCCESS IN OPPOSITION](#)

[CONCLUSION](#)

[ENDNOTES](#)

IN SUMMARY

In recent years, the China National Intellectual Property Administration (CNIPA) has significantly bolstered its efforts to crack down on trademark squatting and protect prior rights in opposition proceedings, yielding positive outcomes. Recent practices suggest that the CNIPA increasingly relied on prior trademark registrations or catch-all provisions to curb bad faith filings in trademark oppositions. This article analyses and discusses key features and trends of applying such provisions in oppositions, aiming to equip readers with insights to enhance their chances of success in opposition proceedings.

DISCUSSION POINTS

- Think strategically: filing opposition or proceeding directly to invalidation
 - Selecting adequate opposition grounds based on examination trends
 - Recent trends on applying catch-all provisions for bad faith filings
 - Sufficiency of evidence affecting likelihood of success in opposition
-

REFERENCED IN THIS ARTICLE

- (2024) Shangbiaoyizi No. 9546 opposition decision
 - (2024) Shangbiaoyizi No. 12461 opposition decision
 - (2024) Shangbiaoyizi No. 30128 opposition decision
 - (2023) Shangbiaoyizi No. 77671 opposition decision
 - (2024) Shangbiaoyizi No. 434 opposition decision
 - (2023) Shangbiaoyizi No. 20051 opposition decision
 - (2023) Shangbiaoyizi No. 112854 opposition decision
-

The success rates of trademark oppositions in China have steadily increased from 2021 to 2023, reaching 48.3 per cent, 56.41 per cent and 59.08 per cent, respectively, according to third-party statistics.^[1] This increase is primarily attributed to the CNIPA's intensified efforts to combat trademark squatting and safeguard prior rights. On one hand, the rates of cases resulting in refusal (including partial refusal) after opposition have increased. On the other hand, a relatively large number of malicious trademark applications have been refused during substantial examination, leading to a decline in trademark squatting. Consequently, the volume of trademarks published for opposition has begun to decrease after peaking in 2022.

Despite growing chances of success, the outcomes of trademark oppositions can vary depending on specific facts and arguments presented in each case. The key to enhancing chances of success in opposition proceedings lies in crafting effective overall strategies, grasping specific details of cases, understanding evolving examination practices and applying in-depth knowledge of relevant legal provisions.

THINK STRATEGICALLY: FILING OPPOSITION OR PROCEED DIRECTLY TO INVALIDATION

In light of lower chances of success for oppositions in comparison to invalidations, some rights holders opt to forgo oppositions, and instead file invalidations after trademarks are registered. However, this approach poses risks, because registered trademarks could be promptly used in ways undesirable to rights holders, potentially gaining market share and influence to some extent, which would bring uncertainty and complications to invalidation proceedings. Moreover, oppositions can also be valued as a strategic tool as success rates thereof continue to grow steadily year on year. Particularly with China's reinforced IP protection policies, proactive rights holders are now more likely to receive support from the CNIPA than before in opposition proceedings. For this reason, we recommend rights holders carefully weigh the pros and cons of oppositions and invalidations based on specific circumstances of each case, and select adequate enforcement actions strategically.

SELECT ADEQUATE OPPOSITION GROUNDS BASED ON EXAMINATION TRENDS

To prevail in opposition proceedings, it is feasible to present both relative and absolute grounds in most cases. Prior rights holders typically rely on article 13 (reproduction, copy and translation of other's well-known mark), article 15 (pre-emptive filing by agent, representative or based on other business relationship), articles 30 and 31 (similar marks in respect of similar goods and services) and article 32 (prejudice other's pre-existing rights; pre-emptive registration of other's mark in use). While any entity can claim absolute grounds, such as article 4 (malicious filings without intent to use), article 10 (signs prohibited from use as a trademark), article 11 (generic names, descriptive or lack of distinctiveness) and article 44(1) (fraud or improper means). These articles apply to specific circumstances of cases with respective requirements, and rights holders are advised to select appropriate articles under the Chinese Trademark Law based on the specific case facts.

Generally, the CNIPA tends to support oppositions based on prior trademark registrations as prescribed in article 30 more frequently, which is also in line with China's first-to-file principle. Article 30 (including article 31) essentially judges whether the coexistence of the opposed mark and the prior mark would cause confusion, focusing on whether the marks are identical or similar, and whether the goods or services are identical or similar. Additionally, other factors such as the distinctiveness and reputation of the prior mark, the attention of relevant public, whether both parties are in the same industry or geographically close and the applicant's subjective intent in applying for the opposed mark will be comprehensively taken into account. Notably, in 2020, 70 per cent of all opposition cases were established under article 30. By 2023, that number surged to 91.6 per cent (including partially favourable).^[2] This increase suggests that, if rights holders own prior trademarks in the same classes or subclasses, it is strongly recommended to cite article 30 or article 31 to ensure higher chances of success in oppositions.

The CNIPA examiners now adheres more strictly to the CNIPA Classification of Similar Goods and Services (the Classification) in opposition proceedings, and less likely to break through the Classification because opposition is considered as supplementary to preliminary examination process, and a consistent examination standard is desired. Consequently, cross-class protection for well-known mark is rarely granted in opposition proceedings nowadays, unless there were prior well-known mark protection records and the principle of 'need-based recognition' is applied. For instance, in the opposition against the 'Maidangjia in Chinese' mark (application No. 67776236),^[3] the CNIPA applied not only article 30, but also article 13(2) to refuse all designated goods. The CNIPA's willingness to apply article 13(2) is due to the fact that only partial designated goods could be refused under article 30 alone.

Based on previous well-known mark protection records, the CNIPA reaffirmed the well-known status of the cited mark under article 13(2), leading to the refusal of remaining designated goods.

RECENT TRENDS ON APPLYING CATCH-ALL PROVISIONS FOR BAD FAITH FILINGS

In addition to the provision on similar marks in respect of similar goods and services, article 30 also prescribes that ‘where a trademark registration has been applied for is not in conformity with the relevant provisions of this Law, the Trademark Office shall refuse the application’, which grants the CNIPA a legal basis to refuse trademark filings that are in violation of the Chinese Trademark Law. In recent years, the CNIPA has combined article 30 with article 4 (malicious filings without intent to use) or article 7 (catch-all good faith principle) against trademark hoarding and bad faith filings. Here, article 30 serves as a catch-all provision against malicious trademark filings. In the opposition against the ‘Zhangjiang Twin Towers’ mark (application No. 69261394,^[4] and the ‘BOXYCHARM’ mark (application No. 67847354),^[5] the CNIPA held that in both cases, the opposed parties showed clear subjective intents to plagiarise others’ prior marks, disrupting the normal order of trademark registration management. Notably, the CNIPA applied articles 4 and 30 to the former case mainly because the opponent not only plagiarised the opponent’s mark, but also had records of refusal under article 4 due to lack of actual intent to use the mark, thus also violating the ‘filing on demand’ principle. In the latter case, articles 7 and 30 were applied instead, because the opposed party was involved in other cases where its marks had been invalidated based on article 32 (pre-emptive registration of other’s mark in use), leading the CNIPA to determine that the opposed party’s filings violated the good faith principle prescribed in article 7. Although a clear pattern for applying article 4 or article 7 cannot be determined solely from the two cases, if an opposed party is hoarding excessive trademarks, it is more likely to fall within the scope of regulation under article 4. For obvious malicious plagiarism other than trademark hoarding, judging from the opposition decisions made to date in 2024, the CNIPA is more likely to apply both article 7 and article 30, which obviously deviates from the CNIPA’s invalidation practices that tend to apply other articles first before applying article 7 as a general provision. That said, given that article 7 is no longer an option in the online opposition filing system, whether the CNIPA will change its practices in applying article 7 to refuse opposed marks remains to be further determined.

In addition to articles 4 and 7, the CNIPA previously applied article 44(1) in oppositions, but now does so rarely, probably because the CNIPA views article 44(1) more as a basis for invalidations against a registered mark rather than oppositions. Instances exist where the CNIPA discussed in opposition reasonings that the registrations of the opposed marks are through improper means (implying article 44(1)), yet only article 30 was explicitly referenced in the decisions. In the opposition against the ‘EagleBergnan’ mark (application No. 62139139)^[6] and the ‘YigeerBogemann’ mark (application No. 64845231),^[7] where the same parties and facts are involved, the CNIPA applied article 30 in both cases but with differing rationales. The opposition decision regarding the ‘EagleBergnan’ mark rendered in July 2023 expressly stated that the opposed mark violated article 44(1), while in the opposition decision regarding ‘YigeerBogemann’ mark rendered in January 2024, the CNIPA held that the registration of the opposed mark was secured through unfair means, which violated the legislative intent of the Chinese Trademark Law without citing article 44(1). Interestingly, the online opposition filing system appears to reflect this shift by greying out the selection of article 44(1) and article 7 as specific grounds for oppositions. As such, rights holders are advised to select article 4 when filing oppositions involving malicious filings

through the online opposition filing system, then argue and provide the evidence based on articles 4, 7 and 44(1) to improve their chances of success.

The CNIPA not only adjusted its application of laws, but also strengthened the regulations on malicious registrations and loosened opposition examination process. Generally, finding an opposed party to be malicious in copying and pre-emptively registering other's marks, a 'large number' of squatted marks is required. Recently, the CNIPA relaxed this requirement of a large number if the cited mark possesses strong distinctiveness and a certain degree of popularity. As exemplified in the EagleBergnan case, despite only 10 squatted marks being involved, the CNIPA still found the opposed party's malicious acts of copying and squatting others' marks. In the opposition against the 'Maidanglao in Chinese & Design' mark (application No. 59766475), where the opposed party owned the opposed mark only and McDonald's lacked a prior mark in the same class,^[8] the CNIPA considered the strong distinctiveness and high reputation of McDonald's marks in the relevant fields, held the opposed mark resembled McDonald's mark, showing deliberate imitation of McDonald's mark and improper free-ride on McDonald's reputation, and thus refused the opposed mark based on articles 7 and 30.

Furthermore, for rights holders with no prior marks on similar goods and services, limited prior use evidence, or that are not known in China, oppositions can still serve as an effective tool to safeguard their legal rights. It is advisable to reasonably explain the origin and design concept of the mark to demonstrate its inherent distinctiveness, investigate the opposed party (including related entities) and their overall trademark applications to strengthen the case. In cases where the opposed party shows bad faith filings or trademark hoarding, it is essential to investigate whether there are records of opposition, rejection or invalidation due to malicious intent, and emphasise such facts and rulings in oppositions. For instance, in the opposition against the 'EARL's PERFORMANCE' mark (application No. 63952518),^[9] despite the opponent's absence of prior marks or use in China, it filed an opposition based on articles 4, 15(2) and 32, arguing the opposed party's bad faith based on its trademark registrations oversea. The CNIPA held the evidence provided cannot support these claims but found that the opponent had registered the 'EARL's PERFORMANCE' mark in Australia, and that the opposed party had applied for several marks similar to those registered by the opponent in other countries. Based on these findings, the CNIPA further held that the opposed party had clear intent of plagiarism, violating the legislative spirit of the Chinese Trademark Law, which prohibits obtaining trademark registration through other unfair means, and thus, article 30 was applied to refuse the opposed mark.

SUFFICIENCY OF EVIDENCE AFFECTING LIKELIHOOD OF SUCCESS IN OPPOSITION

The sufficiency of evidence is always a core factor affecting the chances of success of oppositions. Since there is no cross-examination in oppositions, it is recommended to collect evidence as comprehensive and complete as possible before filing. The evidence generally includes:

- fame of the cited mark, including earliest use, period of use, geographical areas for sales, sales volume, examples of actual use, promotional or marketing materials and other protection records;
- fame of the opponent (this is particularly important if the trademark is identical to the trade name); and
-

information regarding the opposed party and its affiliated entities, the opposed party's trademark portfolio (quantity, classes and time of filings), whether the scope of business matches its trademark portfolio, proximity of the geographical location to the opponent, evidence of the opposed party squatting others' marks or hoarding trademarks for sale, and administrative or judicial records for finding the opposed party's bad faith.

The evidence of use and reputation of the cited mark should show how the trademark is used, the time of use, and the designated goods and services, demonstrate the use by the opponent (or licensee) in mainland China (or known to Chinese consumers).

For the types of evidence, it is recommended to prioritise third-party evidence with high credibility, and if possible, to enhance its authenticity by notarising or time-stamping. Considering that the online opposition filing system has a 200MB limit for evidence submission, it is also advisable to place crucial evidence at the beginning of the submission. This approach enables the CNIPA examiners to quickly access and effectively assess critical information.

CONCLUSION

Rights holders are advised to consider the opposition strategies outlined in this article to effectively protect their rights. These strategies can help avoid potential confusion, maintain trademark distinctiveness, and even deter potential trademark infringement to some extent. How to effectively utilise the opposition procedure and enhance the chances of success for oppositions requires ongoing research, particularly amidst the evolving Chinese Trademark Law amendments. Despite these changes, rights holders should always monitor the trends of opposition practices, select appropriate legal provisions and provide case-specific evidence consistently.

Endnotes

- 1 The statistics are from <https://www.mozlen.com/>. [^ Back to section](#)
- 2 The statistics are from <https://www.mozlen.com/> and https://sbj.cnipa.gov.cn/sbj/ssbj_gzdt/202007/t20200703_21216.html. [^ Back to section](#)
- 3 (2024) Shangbiaoyizi No. 9546 opposition decision regarding the 'Maidangjia in Chinese' mark with application No. 67776236. [^ Back to section](#)
- 4 (2024) Shangbiaoyizi No. 12461 opposition decision regarding the 'Zhangjiang Twin Towers' mark with application No. 69261394. [^ Back to section](#)
- 5 (2024) Shangbiaoyizi No. 30128 opposition decision regarding the 'BOXYCHARM' mark with application No. 67847354. [^ Back to section](#)
- 6 (2023) Shangbiaoyizi No. 77671 opposition decision regarding the 'EagleBergnan' mark with application No. 62139139. [^ Back to section](#)

- 7 (2024) Shangbiaoyizi No. 434 opposition decision regarding the 'YigeerBogemann' mark with application No. 64845231. [^ Back to section](#)
- 8 (2023) Shangbiaoyizi No. 20051 opposition decision regarding the 'Maidanglao in Chinese & Design' mark with application No. 59766475. [^ Back to section](#)
- 9 (2023) Shangbiaoyizi No. 112854 opposition decision regarding the 'EARL'S PERFORMANCE' mark with application No. 63952518. [^ Back to section](#)



Yan Zhang
Yanfang FU
Austin Chang

yan.zhang@beijingeastip.com
yanfang.fu@beijingeastip.com
austin.chang@beijingeastip.com

Suite 1601. Tower E2, The Towers, Oriental Plaza, No.1 East Chang An Ave, Dongcheng District, Beijing, 100738 P.R., China

Tel: +86 10 85189318

<https://www.beijingeastip.com/>

[Read more from this firm on WTR](#)

What brand owners need to know before taking legal action in China

Ray (Lei) ZHAO

Unitalen Attorneys at Law

Summary

[IN SUMMARY](#)

[DISCUSSION POINTS](#)

[REFERENCED IN THIS ARTICLE](#)

[CONFIRMED INFRINGING ACT](#)

[EVIDENCE COLLECTION](#)

[HOW TO RATIONALLY DETERMINE DAMAGES](#)

[PRE-LITIGATION PROTECTION MEASURES](#)

[TRADEMARK RIGHTS TO BE CITED](#)

[WHAT IS FAIR USE?](#)

[IS THE ENTITY TO BRING LEGAL ACTIONS QUALIFIED?](#)

[HAS THE LIMITATION OF ACTION EXPIRED?](#)

[DO THE BRAND OWNERS HAVE PRIOR USE?](#)

[IS THERE A LEGITIMATE SOURCE?](#)

IN SUMMARY

When trademark infringement is found in the mainland Chinese market, comprehensive knowledge of trademark enforcement and a complete trademark rights protection strategy are the key weapons for the brand owners to equip before taking action. This article outlines the typical questions that the brand owners usually ask, provides answers to these questions and provides specific recommendations for actions brand owners should take in different stages and the relevant legal basis of these actions.

DISCUSSION POINTS

- Confirmed infringing act
 - Evidence collection
 - How to rationally determine damages
 - Pre-litigation protection measures
 - Trademark rights to be cited
 - Fair use
 - Which entity to bring legal actions
 - Limitation of action
 - Prior use evidence
 - Whether there is a legitimate source
-

REFERENCED IN THIS ARTICLE

- Trademark Law
 - Anti-Unfair Competition Law
-

Once a trademark is counterfeited and infringed by infringers, it may have a negative impact on the reputation of the company and consumers' trust in the product. In this case, trademark enforcement will be very necessary. There are generally two parallel ways to protect trademark rights in China. One is to file a complaint before the Market Supervision Administration, which is required to impose administrative punishment against the infringer. Another is judicial litigation before courts, which seeks to grant compensation through court decisions against infringers. Complaints before the Market Supervision Administration are usually faster and cheaper, but damages are not available. Litigation before courts generally takes longer and costs more but brand owners could be awarded damages. So, what should we pay attention to in trademark legal actions?

CONFIRMED INFRINGING ACT

In current trademark infringement litigation, parties generally adopt the path of notarisation and evidence collection to preserve evidence. In addition, whether it is the commodity trademark or the service trademark, the use of the right holder and the infringing party are

all open to the public, so the evidence involving the infringement facts presented by the right holder will not be questioned too much on the authenticity issue.

In the case of a single trademark used by the right holder and the infringing party, there may not be too many difficulties, but this is often not the case in practice. Taking catering services as an example, the right holder may have multiple trademarks such as word trademarks, graphic trademarks and combined trademarks, and the infringing party may use the right holder's trademarks in different ways such as on store doors, menus, tableware, in-store display boards and takeaway bags, individually or in combination. In the process of complaint and trial, the right holder often cannot always summarise and categorise the infringing act clearly because non-professionals, and even some professional lawyers, do not pay enough attention to this issue and cannot make it clear. In the process of finding out the facts in court, only the judge can prompt them to realise this problem. In fact, the trademark use behaviour of the accused infringer is the basic fact for trademark infringement cases, and different use behaviours correspond to different claims basis, different judgment standards and different emphases of evidence and argumentation of the right holder. Confirming and appropriately classifying infringing acts helps the court to fully identify the facts of the case and avoid omissions, and also has a guiding role for the right holder to improve the evidence of the case itself.

In the process of confirming a trademark-infringing act and looking for legal basis, some behaviours that are not regulated by trademark law may be found, and the basis of claim of litigation will be fully determined. If article 58 of the Trademark Law stipulates that the use of another person's registered trademark or an unregistered well-known trademark as a shop name in an enterprise name misleads the public and constitutes an act of unfair competition, it shall be dealt with in accordance with the Anti-Unfair Competition Law of China. In many trademark infringement cases, when the defendant registers the plaintiff's trademark as a name but does not use it explicitly, the right holder often neglects to sort out and clarify the infringement act and simply takes trademark infringement as its litigation claim, and only adds litigation claims related to the Anti-Unfair Competition Law under the court's clarification at the court investigation stage. At this time, they may not only face the delay of the defendant's request for the defence period, but also fall into a passive position in this part of the lawsuit because their own side is not fully prepared.

EVIDENCE COLLECTION

Evidence is an important factor in determining the outcome of a case. Whether brand owners can collect the evidence comprehensively, accurately and adequately is directly related to the final fact recognition and decisions of courts or local administrations. And evidence is also the main basis for calculating the loss to get compensation, which effectively protects the legitimate rights and interests of the trademark right holder. Therefore, gathering evidence is a very important step before filing a trademark action.

First, evidence should be provided to prove the ownership of the trademark right.

Second, the evidence required for legal actions will include the infringer's promotional materials, product samples or photos, product sales contracts, sales invoices, industrial and commercial filing materials, evidence of damages and the calculation method of the amount of compensation, which will determine the final amount of compensation.

To determine the infringer and the jurisdiction of the legal actions, brand owners should also provide the exact name of the infringer, address, nature of the enterprise, registered capital, number of personnel, business scope and other evidence about the infringer's situation.

Evidence of ownership, evidence of infringement, evidence of damages and evidence about the infringer's situation are all the basic evidence to bring legal actions, so brand owners should pay more attention to collect these.

In addition, when collecting evidence, it is necessary to pay attention to the content of the evidence collected, and the means of obtaining evidence should be legal, and illegal methods such as violence, threats, deception, inducement and purchase should not be used to collect evidence, nor can false, forged and non-evidential materials be provided as evidence. To ensure the evidential power of the evidence, we should also pay attention to the correlation and consistency between the evidence, and there should be some objective connection between the evidence, corroborating each other, but not isolated and contradictory, so as to maximise the role of the evidence.

HOW TO RATIONALLY DETERMINE DAMAGES

The determination of the amount of damages has always been a difficult problem in the trial of intellectual property cases, and trademark infringement is no exception. The revised Trademark Law on 23 April 2019 raised the limit of legal compensation for trademark infringement to 5 million yuan, which reflects the protection of trademark owners at the national legislative level. However, compensation for losses is, after all, a matter that requires individual judgment, so in specific cases, right holders should not be too confident and propose unreasonable compensation for losses.

The method of determining the amount of compensation loss determined according to article 63 of the Trademark Law, whether it is the actual loss of the right holder or the benefit gained by the infringer, is a matter of fact finding, and a scientific and ideal compensation system should fill in the actual loss of the right holder on the basis of finding out the facts. However, due to the intangible nature of intellectual property rights, the hidden nature of infringement and other factors, the identification of the above facts is objectively that there are obstacles, so there is a statutory compensation system. But from a practice point of view, because of the existence of the system, there are some brand owners that voluntarily give up the facts of their losses or infringer's profit. On the basis of the waiver of proof, there are several irrational claims about the amount of compensation.

Article 7.1 of the Guiding Opinions of the Beijing Higher People's Court on Determining Damages in Cases of Infringement of Intellectual Property Rights and Unfair Competition and the Judgment Standards for Statutory Compensation issued in April 2020 stipulate that when applying statutory compensation to determine the amount of compensation for trademark infringement, the significance, popularity and reputation of the trademark involved can be taken into account: the unit price and profit of the trademark owner, the unit price and profit of the accused infringing goods, and the type, mode of operation, scale of operation, infringement circumstances, subjective malice and other factors of the defendant. With reference to the above provisions, from the perspective of judicial adjudication, there are several suggestions for the right holder to determine the amount of compensation claimed.

First, brand owners should not give evidence on the issue of compensation. Even if the exact loss cannot be proved, the plaintiff should initially provide corresponding evidence based on the considerations of judges in determining compensation in judicial practice.

Second, do not put forward clearly unreasonable loss calculation criteria, which in the eyes of people with a little common sense of life and law will be unprofessional performance, and can only reduce the impression of the rationality of the claim of the right holder. According to the above suggestions, from the perspective of the parties, the right holder should not listen to the lawyer's advice without facts and legal basis and advocate unrealistic compensation. The attorneys' fees and other expenses based on high compensation are borne by the parties. Even if infringement is found, the rights protection fees based on excessive compensation may not be fully supported by the court. From the lawyer's point of view, it is necessary to fully grasp the facts of the case, do a case search and understand the latest judicial policy to give reasonable suggestions to the parties.

PRE-LITIGATION PROTECTION MEASURES

Before the commencement of formal legal proceedings, to protect brand owners' interests to the maximum extent, in accordance with the provisions of articles 65 and 66 of the Trademark Law, brand owners may submit to the people's court pre-litigation evidence preservation and pre-litigation interim measures before the prosecution, to avoid the loss of evidence or irreparable damage caused by the infringement of the trademark, and effectively protect the legitimate rights and interests of brand owners.

If brand owners want to apply for pre-litigation interim measures, they must provide evidence to the people's court to prove that infringers are violating or about to violate its trademark right to exclusive use, and if the infringing act cannot be stopped in time, brand owners' legitimate rights and interests will be irreparably damaged. If the evidence is not available or is insufficient, it will not be possible to apply for pre-litigation interim measures.

TRADEMARK RIGHTS TO BE CITED

If a brand owner's registered trademark is defective in the authorisation process or if the brand owner's registered trademark should be revoked, infringers can request the infringement case to be terminated in the accepting court.

Trademarks can be revoked for a variety of reasons, such as the registration of a trademark that should not be used as a trademark, or the registration of a trademark that infringes on the legitimate prior rights of another person, or the registration of a trademark that was previously used by another person and has some influence.

The number of trademark claims in an infringement lawsuit is not always as many as possible. Infringement is a simple and clear concept, and if the right trademark is sufficient to cover it, only one trademark infringement needs to be asserted. Litigation claims take the necessity of safeguarding rights as the final measure, which not only saves the money of the right holder, but also saves judicial resources. So, under what circumstances can multiple trademarks of the trademark owner play a role and how to use them? If multiple trademarks of the trademark owner are used at the same time, and sufficient business reputation and brand awareness are established based on this, other trademarks of the trademark owner can be presented as auxiliary evidence in the lawsuit, and other facts on the record can be used to prove the subjective malice of the infringing party. This can play an important role in strengthening the evidence of the judge's determination of the wrongdoer's malice and seeking for the possibility of compensatory compensation.

WHAT IS FAIR USE?

We first look at the relevant provisions of the Trademark Law, if the registered trademark contains the generic name, graphics, models of the goods, or directly indicates the quality of the goods, the main raw materials, weight, quantity, etc, the registered trademark cannot be dedicated. In this case, if the alleged infringer uses these elements in the packaging and decoration of their own products, it is fair use, and the alleged infringer's behaviour does not constitute infringement.

IS THE ENTITY TO BRING LEGAL ACTIONS QUALIFIED?

According to the Trademark Law and the Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Trademark Civil Disputes, the plaintiff in a trademark infringement lawsuit must be the trademark owners or interested person of the registered trademark.

HAS THE LIMITATION OF ACTION EXPIRED?

The limitation of action for infringement of the exclusive right to use a registered trademark shall be two years, counted from the date on which the trademark registrant or interested party becomes aware (or should become aware) of the infringing act.

DO THE BRAND OWNERS HAVE PRIOR USE?

Article 59 of the Trademark Law stipulates that before a trademark registrant applies for trademark registration, if another person has used a trademark identical or similar to the registered trademark on the same kind of goods or similar goods before the trademark registrant and has certain influence, the exclusive right holder of the registered trademark has no right to prohibit the user from continuing to use the trademark within the original scope of use, but may require it to attach appropriate distinguishing marks.

IS THERE A LEGITIMATE SOURCE?

If the alleged infringing product is purchased from a third party, the defendant needs to further provide the corresponding contract, invoice, payment records, etc, but when the defendant is a licensed seller, it needs to focus on the statement of the manufacturer on the certificate. If the certificate is marked as the manufacturer, it cannot claim the defence of legal source.



Ray (Lei) ZHAO

lei.zhao@unitalen.com

7th and 8th Floors, Scitech Place, 22 Jian Guo Men Wai Avenue, Beijing 100004, China

Tel: +86 10 59208888

<http://www.unitalen.com>

[Read more from this firm on WTR](#)

China: Comprehensive legislative framework underpins domestic and international IP protection

Aimin Huo

CCPIT Patent and Trademark Law Office

Summary

[IN SUMMARY](#)

[DISCUSSION POINTS](#)

[REFERENCED IN THIS ARTICLE](#)

[INJUNCTIONS AT A GLANCE](#)

[HIGHLIGHTS OF JUDICIAL PROTECTION OF TRADEMARKS IN CHINA](#)

[INJUNCTIONS AND DAMAGES](#)

[LEGISLATIVE FRAMEWORK AND CAUSES OF ACTION](#)

[ALTERNATIVE DISPUTE RESOLUTION](#)

[LITIGATION VENUE AND FORMATS](#)

[DAMAGES AND REMEDIES](#)

[EVIDENCING THE CASE](#)

[AVAILABLE DEFENCES](#)

[OTHER NOTEWORTHY REFERENCES](#)

[ENDNOTES](#)

IN SUMMARY

This article provides a review of the key issues relevant to trademark-related litigation and practice in China.

DISCUSSION POINTS

- Highlights of judicial protection of trademarks in China
 - Injunctions and tips on claiming damages
 - Legislative framework and causes of action
 - Administrative, civil and criminal litigation
 - Forum shopping
 - Damages and remedies
 - Defences
 - Appeals process
 - Other noteworthy references
-

REFERENCED IN THIS ARTICLE

- Civil Procedure Law
 - Trademark Law
 - Annual Report on Intellectual Property Protection by Chinese Courts 2023
 - Annual Report on Intellectual Property Protection in China 2023
-

INJUNCTIONS AT A GLANCE

Preliminary injunctions – are they available, how can they be obtained?	Motions for preliminary injunctions can be filed to the courts before or during litigation.
Permanent injunctions – are they available, how can they be obtained?	The courts grant permanent injunctions in verdicts rendered following litigation.
Is payment of a security/deposit necessary to secure an injunction?	Yes.
What border measures are available to back up injunctions?	Custom seizure actions.

HIGHLIGHTS OF JUDICIAL PROTECTION OF TRADEMARKS IN CHINA

In 2023, courts accepted 462,176 first instance civil IP cases and concluded 460,306, year-on-year increases of 5.4 per cent and 0.55 per cent respectively. Of those, 131,429 were trademark cases, which is an increase of 16.85 per cent year on year. The courts accepted

37,214 second instance civil IP cases and concluded 38,713, decreases of 24.79 per cent and 20.37 per cent respectively over 2022.

In 2023, punitive damages were applied in 319 IP litigation cases by the courts nationwide, a year-on-year increase of 117 per cent, with a total awarded amount reaching 1.16 billion yuan, an increase of 3.5 times from the previous year.

In 2023, the courts accepted 20,583 first instance administrative IP cases and concluded 22,340, a decrease of 0.28 per cent and an increase of 26.7 per cent respectively over 2022. Of those, 18,558 were trademark cases, a decrease of 0.97 per cent year on year. The courts accepted 10,053 second-instance administrative IP cases and concluded 9,259, increases of 54.64 per cent and 17.99 per cent respectively over 2022.

In 2023, the courts accepted 7,335 first instance criminal IP cases and concluded 6,967, with increases of 37.46 per cent and 27.69 per cent respectively over 2022. Of those, 6,634 were registered trademark infringement criminal cases, and 6,357 were concluded, increases of 33.45 per cent and 24.67 per cent respectively over 2022; the courts across the nation accepted 956 second instance criminal IP cases and concluded 965, decreases of 2.35 per cent and 1.23 per cent respectively over 2022.

The courts continued efforts in cracking down on bad-faith trademark filings, improving the quality of administrative trade cases and maintaining the order of legitimate trademark filings, and concluded 20,090 administrative cases of first instance involving trademark filings and registration. The courts made concerted efforts to explore the mechanism of sharing information on bad-faith trademark applicants to effectively curb malicious trademark hoarding.

In 2023, the Chinese Supreme Court heard the 'New Balance' trademark infringement and unfair competition case of New Balance and in consideration of the obstruction of evidence committed by the defendant, ordered the defendant to compensate the right holder 30.04 million yuan for economic losses and reasonable expenses. In the Panpan trademark infringement and unfair competition case, the Chinese Supreme Court applied four times the punitive damages and ordered the defendant to compensate the plaintiff 100 million yuan for economic losses and 650,000 yuan for reasonable expenses.

In 2023, the courts nationwide received 7,883 first instance cases involving trademark owners. In the Siemens trademark infringement and unfair competition case, the Chinese Supreme Court ordered the defendant to compensate the plaintiff, Siemens AG, with 100 million yuan for economic losses and associated reasonable expenses in light of multiple factors such as the reputation of the trade name and trademark 'Siemens', as well as the nature and circumstances of the infringement.

Regarding legislation, the Chinese Trademark Law, the Implementing Regulations of the Chinese Trademark Law, the Chinese Anti-Unfair Competition and the Chinese E-Commerce Law are pending amendments at present. The key proposed amendments to the Chinese Trademark Law are prohibition on repeated trademark filings, requirement to file a statement of use every five years after registration and a procedure to order the transfer of trademarks registered in bad faith to the legitimate owners.

INJUNCTIONS AND DAMAGES

Injunctions

Preliminary injunctions are an increasingly critical tool in litigation because an order on a preliminary injunction or property preservation (attachment of property), or both, helps trademark owners to stop ongoing acts of infringement, avoid or minimise irreparable harm pending litigation, enforce final verdicts and support claims for damages.

Courts will consider the following factors when granting such an order:

- the plaintiff's likelihood of prevailing on the merits;
- a demonstration of irreparable harm to the plaintiff if a preliminary injunction is not granted;
- the balance of interest and hardship between the plaintiff and the defendant; and
- whether the injunction may harm the public interest.

According to the Civil Procedure Law,^[1] a motion for an order on a preliminary injunction or preservation of property, or both, can be filed both before or during litigation. When necessary, the courts may decide to issue such an order on their own initiative. When the courts decide to grant an order, the applicants for preliminary injunctions or preservation of property, or both, are required to provide a security. The courts shall dismiss the motion if the applicant fails to provide the security at the request of the courts. Regarding pretrial injunctions, the courts shall revoke the order if the applicant fails to file a lawsuit or arbitration within 30 days of the date on which the courts issued the order.

Tips On Claiming Damages

According to the Trademark Law,^[2] the defendant in a trademark infringement lawsuit shall not be liable for paying damages in the following scenarios:

- In response to a defence put forward by the defendant that the plaintiff has not used the registered trademark or trademarks, the court may require the plaintiff to provide evidence showing the use of the registered trademark or trademarks during the three years prior to the lawsuit. The defendant shall not be liable for paying damages if the plaintiff is neither able to prove its trademark use during this time frame nor able to prove other losses suffered as a result of the trademark infringement.
- If a distributor raises the defence that it is unaware that the items offered for sale infringe upon a registered trademark or trademarks, is able to prove that the items were procured by legitimate means and provide information on the suppliers of the items, the distributor shall not be liable for paying damages.

It is therefore necessary for the plaintiff to collect and keep its evidence of trademark use on file to support claims for damages. The plaintiff should consider sending cease-and-desist letters to a distributor that commits trademark infringement before a lawsuit, after collecting and notarising the evidence of trademark infringement to further prove the distributor's bad faith and pave the way for claiming damages (particularly punitive damages).

LEGISLATIVE FRAMEWORK AND CAUSES OF ACTION

China has a comprehensive and integrated legal framework for trademark protection based on domestic legislation and international IP treaties and conventions.^[3] The Trademark Law and its implementing regulations are the primary sources of law on trademark protection in China.

In addition to the above, the following apply:

- the Civil Code;
- the Civil Procedure Law;
- the Criminal Procedure Law;
- the Anti-Unfair Competition Law;
- the Copyright Law;
- the E-Commerce Law;
- judicial policies, interpretations and guidelines issued by the Supreme People's Court (SPC);
- rules, regulations and guidelines on trademark protection issued by the competent authorities;
- guiding and typical cases published by the SPC; and
- reference cases published by local high courts.

As a general rule, only registered trademarks are protected under the Trademark Law. To protect unregistered trademarks, rights holders may:

- if the cited and infringed trademark has been used but not registered in China, seek well-known trademark recognition to stop the use of the infringing trademark on similar or dissimilar goods or services;
- file unfair competition litigation to stop the use of the infringing trademark in domain names, as the Anti-Unfair Competition Law prohibits the use of, among others:
 - influential trade dress;
 - product, trade, institutional and personal names (including pen, stage and translated names);
 - distinctive elements; and
- file copyright litigation if the unregistered trademark is subject to copyright protection.

In recent years, trademark squatters have initiated litigation to compel real trademark owners to either pay damages or purchase back trademarks registered in bad faith at very high prices. The courts have gradually developed a consistent practice of dismissing those cases on the grounds that such litigation constitutes an abuse of rights by trademark squatters.

The SPC has issued guidelines making it clear that if in an IP rights infringement lawsuit the defendant submits evidence to prove that the lawsuit filed by the plaintiff constitutes an abuse of rights and has damaged the defendant's legitimate rights and interests as prescribed by law, and the defendant requests the plaintiff to compensate for reasonable expenses, the court shall support the request. The defendant may also file a separate lawsuit to require the plaintiff to compensate for such reasonable expenses. The SPC guidelines aim to deter parties from filing trademark litigation in bad faith.

Administrative And Civil Litigation

Trademark litigation falls into various categories depending on applicable laws, procedures, nature and objectives.

Administrative litigation involves the judicial review of:

- decisions or rulings on official refusal, opposition, invalidation and non-use cancellation, among other things, rendered by the China National Intellectual Property Administration (CNIPA);
- other specific trademark-related administrative acts performed by the CNIPA and the State Administration for Market Regulation; and
- decisions or rulings on trademark infringement rendered by the local administration for market regulation (AMR).

Civil litigation involves:

- trademark disputes relating to:
 - infringement and unfair competition;
 - ownership; and
 - transfer, licensing and agency contracts;
- before or during litigation, motions for:
 - preliminary injunctions;
 - property preservation; and
 - evidence preservation;
- motions for non-infringement declaratory judgments; and
- other trademark-related disputes.

Criminal Litigation

The following acts carry criminal liabilities:

- passing off registered trademarks;
- selling goods on which registered trademarks owned by others are used; and
- illegally manufacturing the labels of registered trademarks owned by others or selling such illegally manufactured labels.

Criminal litigation is usually filed by the procuratorates after the Public Security Bureau (PSB) has completed its criminal investigations and handed over files and evidence to the procuratorates. The PSB may open criminal investigations on its own initiative, or in response to complaints filed by the rights holder or after the cases have been handed over to them by the AMR.

The SPC urges local courts to hold three-in-one trials for judicial efficiency and consistency if trademark issues are involved in simultaneous pending administrative, civil and criminal lawsuits.

ALTERNATIVE DISPUTE RESOLUTION

Trademark disputes can be resolved through negotiation and mediation during civil litigation. The court may act as a mediator or direct the parties to work with the court-designated external mediators or mediation centres. The SPC has been urging the courts to rely on alternative dispute resolution (ADR) mechanisms to deliver efficient and diversified IP protection. During civil litigation, the courts will always ask the plaintiffs and defendants whether they want to settle disputes through ADR.

Arbitration serves to resolve civil trademark disputes, provided that the parties agree in writing to arbitration. Mediation and arbitration are generally not employed in administrative and criminal trademark litigation unless the rights holder files an incidental civil litigation in combined criminal and civil proceedings, and the parties choose to mediate a settlement agreement on the civil claims over damages.

LITIGATION VENUE AND FORMATS

The courts in China have four levels of hierarchy:

- basic people's courts (eg, the people's courts at district or county level);
- intermediate people's courts, including the specialised IP courts in Beijing, Shanghai and Guangzhou;
- high people's courts in each province, autonomous region or municipality directly under the central government; and
- the SPC.

Some basic people's courts and intermediate people's courts have cross-regional jurisdiction over IP-related cases according to SPC guidelines.

Forum Shopping

Forum shopping is not available for administrative litigation.

Courts at the defendant's domicile, the locations where the infringing acts occur (ie, where the infringing acts or the outcomes thereof take place) or the locations where the infringing products are stored, seized or detained by administrative authorities (eg, the AMR, customs office or PSB) have territorial jurisdiction over infringement cases.

Specialised IP courts and IP tribunals have more expertise and experience in handling IP disputes. Courts in more economically developed provinces and areas are more pro-intellectual property and tend to grant higher damages. It is recommended that the plaintiff file trademark litigation with the specialised IP courts or tribunals. It is also an effective strategy to identify every player involved in the trademark infringement and select the court most preferred by the plaintiff to file the litigation.

Internet courts in Beijing, Hangzhou and Guangzhou have jurisdiction over disputes arising from online infringement and transactions. Almost all proceedings at the internet courts are conducted online for the convenience of all parties involved.

The courts at the defendant's domicile or the location of the server of an e-commerce trading platform have jurisdiction over litigation against an internet-based trademark infringement.

Jury Versus Bench

Trademark litigation is usually heard by a collegiate bench of three (most often) or five members. At the trial court, the collegiate bench may comprise judges only, or judges with one or two people's jurors. People's jurors are not included in a collegiate bench at the appellate courts.

DAMAGES AND REMEDIES

The following remedies are available in trademark infringement litigation:

- injunctions (preliminary and permanent);
- damages (including punitive damages); and
- public apologies or declarations aimed at undoing the negative effects of the infringing acts.

Damages for trademark infringement are calculated with reference to one of the following factors:

- losses of the plaintiff;
- profits of the defendant;
- a reasonable multiple of the trademark licensing fees when it is difficult to determine the plaintiff's losses or the defendant's profits;
- statutory damages of up to 5 million yuan when it is difficult to determine the plaintiff's losses, the defendant's profits or the trademark licensing fees; or
- punitive damages for grave trademark infringement in the amount of one to five times the base amount of damages determined with reference to plaintiff's losses, the defendant's profits or the trademark licensing fees.

Damages include reasonable expenses spent by the plaintiff on trademark enforcement actions.

The SPC has directed the courts to use market value as a benchmark for determining damages in IP litigation. It has also directed the courts to award punitive damages to ensure that the damages in total are commensurate with the market value of the IP rights in dispute and the punitive damages in particular can discourage trademark infringement. In response to requests from the plaintiff, the court may exercise discretion and impose punitive damages on defendants committing intentional and egregious trademark infringement and acts of unfair competition.

In light of present practice and the trend of courts awarding substantial damages, as well as punitive damage in some cases, the rights holders should consider relying more on litigation to obtain stronger protection and seek damages in China.

Trademark litigation holds more of a deterrent power if it can hold individuals liable for trademark infringement. In recent years, the courts have rendered verdicts that have held legal representatives and shareholders jointly or severally liable for infringements perpetrated by their companies, defeating their attempts to evade trademark infringement penalties by abusing the independent legal person status of the company or the limited liabilities of shareholders.

The courts have also rendered verdicts ruling that trademark agencies acting as co-defendants to aid the defendants in bad-faith trademark filings have committed an act of unfair competition and should pay compensatory damages to the plaintiff. The courts' verdicts offer rights holders new tools in the fight against bad-faith trademark filings and trademark-related infringements.

EVIDENCING THE CASE

According to the Civil Procedure Law, motions for preservation of property can be filed to the courts during litigation if it is likely that the evidence may be destroyed or lost, or it will be difficult to obtain the evidence later. In an emergency, motions for preservation of property can be filed to the courts before litigation or arbitration if it is likely that the evidence may be destroyed or lost, or it will be difficult to obtain the evidence later.

Investigations And First Steps

Investigations are necessary and can be vital. Investigations are conducted for multiple purposes, including:

- collecting facts and evidence to support the litigation;
- spotting the strengths and weaknesses of both the plaintiffs and the defendants to help the rights holder build a strong case, and an adequate and strong future trademark portfolio; and
- formulating well-informed trademark litigation strategies and tactics.

Legal counsel should always be closely involved when working with internal or external investigators by offering input into investigation plans and overseeing investigations to ensure that the evidence obtained complies with the rules of evidence.

Relevant and particularly important evidence must be notarised, and legalisation is also necessary if the evidence is collected outside China. Digital evidence must be collected in compliance with the courts' guidelines. Legal counsel must review and ensure the legality of the evidence obtained during investigations because evidence procured through dubious or illegal means may be excluded or compromise the case.

Survey Evidence

Survey evidence is not mandatory and is often challenged. In practice, survey evidence has been filed to the court in difficult cases for reference purposes. The SPC and local courts have accepted survey reports as evidence. The referential value of survey evidence for the judges to determine cases should not be ignored.

Use Of Expert Witnesses

Expert witnesses are permitted in trademark litigation cases and are often engaged to provide expert opinions, especially in cases of first impression. Courts may also consult experts for their opinions on difficult issues. Economic experts can be helpful in ascertaining payable damages. Expert opinions may not be cited by judges.

AVAILABLE DEFENCES

The following defences can be raised when facing trademark infringement charges:

- no trademark infringement;

- no likelihood of confusion because there are no similarities in terms of the trademarks, goods or services;
- the plaintiff's trademark is invalid or declared invalid owing to its noncompliance with the Trademark Law;
- legitimate, fair, prior, authorised or licensed rights (eg, use of prior trade names, copyrights or design rights) use;
- legitimate product source and no knowledge of trademark infringement;
- exhaustion of trademark rights;
- laches or loss of statutory limitations;
- no infringement in OEM cases where all the OEM products are exported only to a foreign country or region and the mark used on the goods is owned or duly registered by the party that has ordered the OEM products in the destined country or region;
- safe harbour for internet service providers;
- lack of standing to sue or be sued;
- lack of jurisdiction; and
- unclean hands or abuse of rights.

The SPC has dismissed trademark infringement lawsuits on the grounds of abuse of rights.

Appeals Process

A domestic party may file an appeal within 15 days of receipt of a first instance judgment, while a foreign party may file an appeal within 30 days. Parties may still file new and supplementary evidence to the appellate court.

The appellate court will review both factual and legal issues. It usually takes six to nine months for the appellate court to render its judgment, which is final and effective. The time frame for court proceedings will be longer if one of the parties is a foreign entity or national.

The plaintiffs or defendants may apply for a retrial of an effective judgment within six months of the effective date. The higher-level courts will review and decide whether to accept retrial applications. For a retrial application to be accepted, new and substantial evidence that could overturn the effective judgment or clear mistakes in procedural issues, fact findings or applications of law are usually required.

In rare circumstances, the people's procuratorates have powers to supervise the adjudication of civil cases and may do so ex officio or at the request of the parties involved in civil cases.

Any party can appeal before the appellate court.

OTHER NOTEWORTHY REFERENCES

On 7 November 2023, China joined the Convention Abolishing the Requirements of Legalization for Foreign Public Documents, commonly referred to as the Apostille Convention or the Hague Convention. The Convention requires member countries to recognise apostilles as sufficient evidence of the authenticity of the public documents, eliminating the time-consuming and conflicted legalisation of foreign public documents originating in all member states submitted for use in China.

Endnotes

- 1 The [Civil Procedure Law](#) can be accessed via the National Laws and Regulations Database. [^ Back to section](#)
- 2 The [Trademark Law](#) can be accessed via the Chinese government's website. [^ Back to section](#)
- 3 These include the [Annual Report on Intellectual Property Protection by Chinese Courts 2023](#) and the [Annual Report on Intellectual Property Protection in China 2023](#). [^ Back to section](#)



Aimin Huo

huoam@ccpit-patent.com.cn

10/F Ocean Plaza, 158 Fuxingmennei Street, Beijing 100031, China

Tel: +86 10 6641 2345

<http://www.ccpit-patent.com.cn>

[Read more from this firm on WTR](#)

India: High court jurisdiction questions set to reshape IP litigation

Suhrita Majumdar, Afzal B Khan and Dipro Dawn

S Majumdar & Co

Summary

[IN SUMMARY](#)

[DISCUSSION POINTS](#)

[REFERENCED IN THIS ARTICLE](#)

[LEGISLATIVE FRAMEWORK](#)

[RECENT CASE LAW](#)

[CONCLUSION](#)

[ENDNOTES](#)

IN SUMMARY

This article explores intellectual property cases before Indian courts and recent interpretations of the law on the subject.

DISCUSSION POINTS

- Legislative framework
 - Recent case law
-

REFERENCED IN THIS ARTICLE

- The Trade Marks Act 1999
 - *The Hershey Company v Dilip Kumar Bacha and Ors*
 - *Dr Reddy's Laboratories Ltd v Fast Cure Pharma*
 - The Tribunal Reforms Act 2021
 - *Girdhari Lal Gupta v K Gian Chaand Jain*
 - *Dr Reddy's Laboratories Limited & Anr v The Controller of Patents & Anr*
-

Indian intellectual property law is rapidly evolving. Recent developments in intellectual property cases before the Indian courts have favoured a liberal approach, allowing right holders and businesses to effectively protect and enforce their IP rights in India. This includes setting up dedicated benches for IP cases in various high courts, the promulgation of rules towards expeditious disposals of such cases and procedures modelled to cater to unique situations arising in IP disputes. Indian courts have taken significant steps in setting up robust mechanisms to facilitate, in some jurisdictions even mandating, online filings. With the Supreme Court of India live-streaming important cases, Indian courts have set up infrastructure enabling and even facilitating virtual court hearings. While these developments have reshaped litigation in the recent times, the changes have also given rise to contentious issues. One such issue that has recently been discussed pertains to the jurisdiction of various high courts while dealing with rectification petitions in trademark cases.

In 2024, there have been significant developments in the legal interpretation of the jurisdiction of high courts in India for handling trademark rectification cases under The Trade Marks Act 1999.

LEGISLATIVE FRAMEWORK

The Trade Marks Act 1999 governs trademark law in India. It succeeded the Trade Marks and Merchandise Act 1958, and has been in force since September 2003. In India, a suit may be instituted where a defendant resides or works for gain, or a cause of action arises. The Indian courts, have given, rightfully so, an expansive interpretation to where 'the cause of action, wholly or in part, arises'. Thus, it has come to include the transactions and infractions occurring even in the virtual domain and online, provided a website is interactive in nature and effectively targets users of the particular jurisdiction.^[1]

Furthermore, trademark and copyright law allows a right holder an additional venue for instituting a suit for infringement of its rights under the respective statutes, which includes the place of the plaintiff's residence or business. This conferment of additional forum of jurisdiction has materialised into a catena of case law that limit the extent to which a right holder may take benefit of the provisions.^[2]

While some courts have interpreted the jurisdiction to hear rectification petitions as being any high court, others may have based it on general principles of jurisdiction. These principles may include the nature of the proceedings, the place of residence, the carrying on of business or the cause of action. However, with the changing times, courts are in favour of interpretations that rely on the dynamic effect of legislation. This means that the high court would have jurisdiction if the effect of the registration is felt within its territorial jurisdiction.

A recent controversy in the domain of jurisdiction exercisable under The Trade Marks Act 1999 revolves around the institution of rectification petitions^[3] (seeking the rectification or correction of registered trademarks). Two judgments of the Delhi High Court clashed on the subject – *The Hershey Company v Dilip Kumar Bacha and Ors*^[4] (Hershey) and *Dr Reddy's Laboratories Ltd v Fast Cure Pharma*^[5] (Fast Cure) – and the issue was referred to a larger bench.

A rectification petition, until 2021, could have been preferred before the registrar or an erstwhile appellate tribunal, known as the Intellectual Property Appellate Board (IPAB). The Act and the concerned rules posit the following practices:

- the Trade Marks Registry has five offices located in Mumbai, Ahmedabad, Kolkata, New Delhi and Chennai, with the territorial jurisdiction of the appropriate office of the Trade Marks Registry divided among them;^[6]
- the Trade Mark Rules^[7] define the appropriate office of the Trade Marks Registry based on the territorial location of, inter alia, the principal place of business or place of business of the applicant of the trademark; and
- the appropriate office of the Trade Marks Registry is also the venue for rectification petitions.

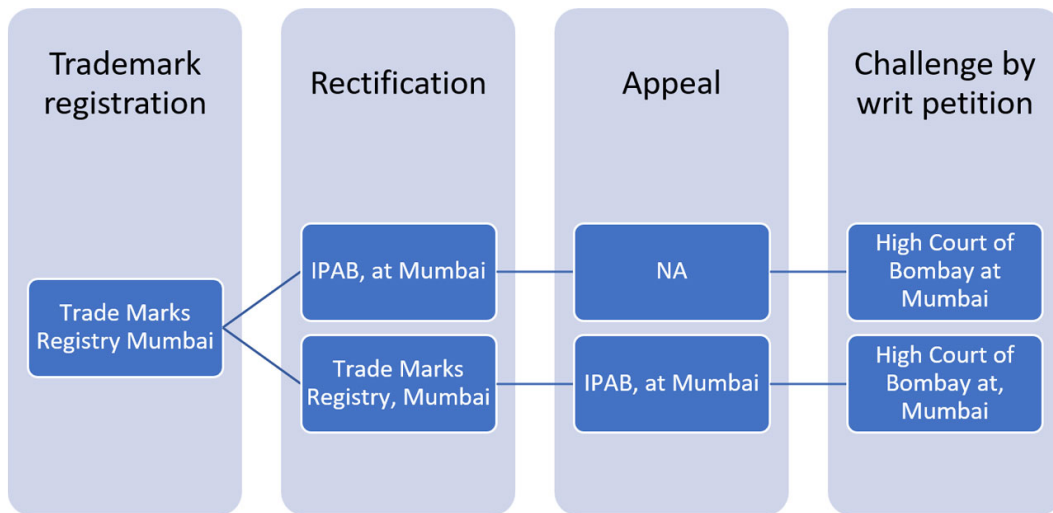
Interestingly, the IPAB would preside as a circuit bench, which means that the same bench would preside over the jurisdiction of the five offices of the Trade Marks Registry.

Thus, a prospective petitioner could invoke the jurisdiction of the registrar (at the appropriate office of the Trade Marks Registry) or the IPAB.

If a petitioner approaches the IPAB, the IPAB would adjudicate the rectification petition in the jurisdiction of the appropriate office of the Trade Marks Registry. Therefore, the subject order or proceedings would be under the purview of the respective high court of the jurisdiction of the appropriate office.

To better illustrate this, Figure 1 demonstrates a trademark registered with the Trade Marks Registry in Mumbai.

Figure 1.



However, with the passing of the Tribunal Reforms Act 2021, IPAB was abolished, and rectification proceedings under The Trade Marks Act 1999 now lie before the high court. The roots of the controversy in discussion can be found in the absence of a definition of 'high court' in the Act.

RECENT CASE LAW

Before delving into the cases under scrutiny, a side note to discuss *Girdhari Lal Gupta v K Gian Chaand Jain*^[8] (*Girdhari Lal*) and *Dr Reddy's Laboratories Limited & Anr v The Controller of Patents & Anr*^[9] (*Reddy's*) would prove to be instructive.

Girdhari Lal was a seminal three-judge full bench decision, which laid the foundation for recent orders of the Delhi High Court that this article intends to explore.

The *Girdhari Lal* judgment addressed a similar question of jurisdiction under the then prevailing Designs Act 1911 (as amended in 1970). The Designs Act 1911 was earlier the Patents and Designs Act 1911 and governed Indian patent and design laws. In 1972, with the Patents Act 1970 coming into effect, the statute was amended and it came to be the solitary act governing design law in India. The amended Act's section 51A postulated a cancellation of design registration before the high court. The Act also defined the term 'high court' to refer to the high court of that territorial state. In *Girdhari Lal*, the Court was called upon to examine which high court or high courts would have the jurisdiction to entertain the cancellation petition. The key submission that the Court addressed was that the subject matter of a design registration, and its consequent cancellation petition, would arise where the design registration was granted. The Court recognised and agreed that the 'static effect' of such registration would accrue jurisdiction in favour of the high court within whose local limit the registration was granted. However, the Court further recognised that such a registration entails a 'dynamic effect', as the impact of the registration of such registered design extends across India and travels beyond the place of registration.^[10] As the dynamic effect of the registration can be felt by persons who may be using the design, the high court of the place where the aggrieved person resides or where the alleged legal injury is said to have taken place would also have jurisdiction. In arriving at its conclusion, the Court also took note of the use of the definite article 'the' preceding the term 'High Court' in section 51A, as one indication of the legislative intention to confer jurisdiction on the high court within the territory of which subject matter has the necessary nexus.^[11]

This position was consistently adopted in the Reddy's decision, which addressed the question of jurisdiction in respect of revocation petitions under patents law, post-abolition of the IPAB. This was primarily because the Patents Act 1970 succeeded the Patents and Designs Act 1911, and the legislative intent, as interpreted in Girdhari Lal would squarely apply to the current Patents Act. Furthermore, it had a similar ambiguity regarding the definition of 'high court'. Relying upon Girdhari Lal, the Reddy's decision laid down the following as to which places the cause of action in such a situation could arise:

- where the patent application is filed or granted;
- where the manufacturing facility of a person interested is located or where the approval for manufacture or sale of product has been granted, but the same is prevented due to the existence of the patent;
- where a cease and desist notice may be served or replied to from or where the suit for infringement has been filed;
- where patentee resides or carries on business (ie, manufactures or sells the patented invention);
- where the import of the product may be interdicted due to the existence of the patent or where the export of product is being stopped due to existence of the patent; and
- where research on a commercial scale in respect of the patented subject matter is curtailed.

In the background of the Girdhari Lal and Reddy's decisions, in Fast Cure, the Court was presented with the opportunity to discuss the issue in respect of rectification petitions under The Trade Marks Act 1999. The Court in Fast Cure disagreed with the restriction proposed, that the term 'high court' would be restricted to the high court within whose jurisdiction the Trade Mark Office, which granted registration to the impugned mark, is situated. Acknowledging that if the rectification were to be preferred before the Trade Marks Registry, it ought to be the Registry that granted the registration, the Court relied upon Girdhari Lal and held as follows:

36.3. Thus, though the Registrar, who could exercise jurisdiction under Section 47 or Section 57 would undoubtedly be the Registrar who granted registration to the impugned mark, the High Court which could exercise such jurisdiction would not only be the High Court having territorial dominion over such Registrar, but also any High Court within whose jurisdiction the petitioner experiences the dynamic effect of the registration.^[12]

Rival contentions had laid considerable emphasis on the legislative history of The Trade Marks Act 1999. The preceding enactment (the Trade Marks and Merchandise Act 1958) had extensively defined the term 'high court' to the extent that it espoused a complete section-^[13] to identify 'the High Court having jurisdiction under this Act'. The original Trade Marks Act 1999 did not find any requirement for defining 'high court' considering the jurisdiction was sought to be vested in favour of the IPAB. Again, with the Tribunal Reforms Act 2021, the legislature did not introduce any amendment in The Trade Marks Act 1999 to offer any definition to the same. This noticeable absence is what the Court considers to be the legislative intent of not restricting the rectification petitions before any particular high

court, or more particularly, the high court within whose jurisdiction the registration has been granted.

In the Hershey decision, the Delhi High Court disagreed with the Fast Cure decision, which stressed the position as prevailing prior to the current Trade Marks Act and under the earlier Act of 1958. In *Habeeb Ahmad v Registrar of Trademarks, Madras*,^[14] which in turn relied on *Chunulal v GS Muthiah*,^[15] when addressing rectifications under the Act of 1958, the Court held that the high court with the jurisdiction to exercise power in relation to cancellation and rectification petitions, as well as appeals, would be the high court within whose jurisdiction the application for trademark registration was filed.

In the absence of any definition of 'high court', the lead judge considered the approach undertaken in Fast Cure to be expanding the scope beyond the explicit provisions.^[16] The Court further stressed that the Girdhari Lal and Reddy's decisions were based on the same statutes that were in contrast to The Trade Marks Act 1999 being discussed in the Fast Cure case. The suggested 'dynamic effect' of trademark registration was not one conceived of under the Act of 1999 and, therefore, the reliance on Girdhari Lal was not appropriate.

The issue is now pending consideration before a bench of five judges of the Delhi High Court, and the outcome would certainly have far-reaching effects.

CONCLUSION

In the current landscape, the ease of doing business in India and the prominence of digital transactions and websites has led the courts to adopt a progressive judicial approach while interpreting several facets, including jurisdictions in trademark enforcement cases. Based on the same, a reading of the tea leaves would suggest that the five-judge bench is likely to adopt a similar interpretation in respect of such rectification petitions.

The expansive interpretation of 'cause of action' already provides a window in favour of the plaintiff to invoke jurisdiction of a forum convenient to the party.

One may argue that as per the trite principle of forum conveniens, appropriate forum, is one that suits the plaintiff. While prioritising the same, it is vital that the court closely examines each case to ward off any abuse of such privilege available to the plaintiff. In fact, courts will also have to consider situations where a suit for infringement is pending in one court and another becomes the venue for the rectification, concerning the same parties and issues. This may result in multiplicity of proceedings.

Alarm in this regard is expressly noted in the Fast Cure decision. Couched in the principle of dominus litus, it was advanced that if the law had permitted recourse to several forums, the litigant was at liberty to choose the platform that was most inconvenient to the opponent.^[17] The Court's reasoning rejecting the contention is worth emphasising:

Litigation may be adversarial, but cannot be oppressive. It cannot be made a means of harassment. The aim of litigation is not to secure a victory come what may, but to secure the ends of justice. Justice is our sanctified preambular law; not even law, and law which does not aspire to justice is not worth its name. Use of the law in an unjust fashion, even if the strict letter of the law permits it, is not use, but misuse and, perhaps, in a given case, even abuse.^[18]

This cautionary note is not out of place. In the attempt to enable ease of enforcement, steps must be in place to stem exploitation or abuse of the process. The provision for

additional forum for enforcement of rights, as one under The Trade Marks Act, is unique to commercial disputes. Its exercise must be carefully considered and examined. Therefore, a more rigorous assessment of jurisdiction by the court, at early stages of suit proceedings, would, perhaps, discourage abusive filings. This could be in the form of a preliminary hearing by the court to assess maintainability of suits. Further, a flexible and frequent adoption of summary judgment by the courts would also aid in addressing the credibility of challenges to jurisdiction. Statutes must also keep evolving to tackle new forms of transactions and conducting business. With the Indian courts embracing virtual hearings and online filings, we have taken significant strides in enabling accessibility for the litigants. Thus, possibilities remain varied, with the correct match to be ascertained.

Endnotes

- 1 Banyan Tree Holding (P) Limited v A Murali Krishna Reddy & Anr, 2009 SCC OnLine Del 3780. [^ Back to section](#)
- 2 Indian Performing Rights Society Limited v Sanjay Dalia, (2015) 10 SCC 161, [^ Back to section](#)
- 3 Section 47, 57. [^ Back to section](#)
- 4 Hershey Company v Dilip Kumar Bacha, 2023 SCC OnLine Del 3914. [^ Back to section](#)
- 5 Dr Reddys Laboratories Ltd v Fast Cure Pharma, 2023 SCC OnLine 4953. [^ Back to section](#)
- 6 <https://www.ipindia.gov.in/locations-and-jurisdiction.htm>. [^ Back to section](#)
- 7 2002 and 2017. [^ Back to section](#)
- 8 Girdhari Lal Gupta v K Gian Chand Jain, AIR 1978 Del 146. [^ Back to section](#)
- 9 Dr Reddy's Laboratories Limited & Anr v The Controller of Patents & Anr, 2022 SCC OnLine Del 3747. [^ Back to section](#)
- 10 Girdhari Lal, para 10. [^ Back to section](#)
- 11 Girdhari Lal, para 21. [^ Back to section](#)
- 12 Fast Cure, para 36.3. [^ Back to section](#)
- 13 Section 3 of the Trade Marks and Merchandise Act 1958. [^ Back to section](#)
- 14 MANU/AP/0093/1966: AIR 1966 AP. 102. [^ Back to section](#)
- 15 MANU/TN/0211/1959: AIR 1959 Mad. 359. [^ Back to section](#)
- 16 Hersheys, para 51(iii). [^ Back to section](#)

17 Fast Cure, para 30.11. [^ Back to section](#)

18 Fast Cure, para 30.12. [^ Back to section](#)

S Majumdar & Co

Suhrita Majumdar

Afzal B Khan

Dipro Dawn

suhrita.majumdar@majumdarip.com

afzal.khan@majumdarip.com

dipro.dawn@majumdarip.com

<https://www.majumdarip.com/>

[Read more from this firm on WTR](#)

Japan: Ensuring success under the trademark enforcement framework

Masayuki Yamanouchi, Yuta Oishi, Koki Sasaki and Satoko Yokogawa

Anderson Mōri & Tomotsune

Summary

[IN SUMMARY](#)

[DISCUSSION POINTS](#)

[REFERENCED IN THIS ARTICLE](#)

[CIVIL PROCEEDINGS FOR TRADEMARK INFRINGEMENTS](#)

[OUTLINE OF BORDER ENFORCEMENT](#)

[RECENT REVISIONS OF THE TRADEMARK ACT](#)

IN SUMMARY

This article provides outlines of civil proceedings for trademark infringement and border enforcement, and introduces recent revisions of the Trademark Act in Japan.

DISCUSSION POINTS

- Civil proceedings for trademark infringement
 - Outline of border enforcement
 - Recent revisions of the Trademark Act
-

REFERENCED IN THIS ARTICLE

- Trademark Act
 - Customs Act
-

CIVIL PROCEEDINGS FOR TRADEMARK INFRINGEMENTS

There are two types of civil proceedings for trademark infringements in Japan. The first type is a main lawsuit, by which a trademark owner may seek both a permanent injunction order and damages against an alleged infringer. In a main lawsuit, the trademark owner may also seek measures to restore credibility and measures necessary for the prevention of the infringement.

The second type is a proceeding for preliminary injunction, by which a trademark owner may seek a preliminary injunction order. A preliminary injunction is a temporary decision that imposes a duty of omission on the debtor with the same content as is ordered in a judgment upholding a claim of the main lawsuit. Sometimes, a trademark owner chooses to commence the proceedings for preliminary injunction because it would be cheaper, and could be faster, than commencing a main lawsuit.

Jurisdiction

There is no specialised court for trademark cases. However, the Tokyo District Court and the Osaka District Court have specialised divisions dealing with cases relating to intellectual property including trademarks. A trademark owner may initiate infringement proceedings by filing a complaint with these courts or other district courts having jurisdiction.

Courts Costs

In a main lawsuit, the fee to be paid to a court as stamp value upon filing depends on the economic scale of the case. For example, if a trademark owner seeks ¥100 million as damages, it must pay approximately ¥300,000 to the district court and, if it appeals, ¥500,000 to the relevant high court. Ultimately, the losing party, in principle, bears the court costs including such fees (but not including attorneys' fees).

As for attorneys' fees, there is no legally binding standard in Japan. Some attorneys representing foreign clients charge on an hourly basis, but other attorneys charge certain amounts as initial and contingent fees. Under Japanese law, a plaintiff who wins an

infringement case will be entitled to recover (a part of) attorneys' fees, which is usually up to 10 per cent of the amount of the damages awarded as compensation for infringement.

In the proceedings for preliminary injunction, on the other hand, the fee to be paid to a court as stamp value upon filing is ¥2,000 multiplied by the larger number of petitioners or respondents.

Bonds

The petitioner is required to provide a bond in a preliminary injunction case (not in a permanent injunction case) if: an alleged infringer in the case suffers damages due to the preliminary injunction that is initially rendered; a court in the forthcoming main lawsuit denies the alleged infringement; and a court finds that the petitioner is liable for the damages suffered by the alleged infringer due to a preliminary injunction. The amount of a bond will be determined at the court's discretion, but, in general, it is understood that the amount should approximate the amount of loss or damages that the respondent would incur if a preliminary injunction was granted but thereafter overturned as a result of a main lawsuit. Based on published cases and our experience, in a high-stakes case like this, a court may require the petitioner to provide a security of approximately ¥50 million to ¥70 million, or even more than ¥100 million.

Litigation Proceedings

After the filing of a complaint, the court clerk will examine whether or not the correct form for the complaint has been used and if the correct stamp value has been affixed to the complaint. The clerk will then contact the plaintiff or his or her attorney and, depending on his or her availability, will decide the date of the first oral hearing. The court will then send a summons and the complaint to the defendant by post. The first oral hearing would typically be held 40 to 50 days after the filing date. Before the hearing, the defendant must file a written answer, which will deny or accept each claim and the factual information relied upon in the complaint. At each key event in the proceedings, it is likely that the judges would ask the parties whether or not they intend to settle the case.

Following the first hearing, briefs will be filed by the plaintiff and defendant, and there will be several court hearings.

The examination and cross-examination of witnesses might follow, although judges tend to dispense with the examination of witnesses in relation to trademark cases. After this, each party may file its final brief before closing the proceedings. Following this, the court closes the proceedings and subsequently will issue its judgment. On average, judgment is rendered from one to one-and-a-half years following the filing of a complaint.

In practice, the proceedings for the main trademark lawsuit in which a trademark owner seeks damages consists of two phases. The first phase is a hearing to determine whether or not trademark rights are infringed. And, if an infringement is found in the first phase, the case proceeds to the second phase, which is a hearing to determine damages. Therefore, if the case proceeds to a hearing on damages, the plaintiff is expected to win the case (but there are still issues regarding damages at the concluding of the first phase). On the other hand, if the case does not proceed to a hearing on damages, the defendant is expected to win the case.

As to the proceedings for preliminary injunction, they typically take several months, although it depends on the case. The period necessary to obtain a preliminary injunction is usually

shorter than that for a main lawsuit; however, in practice, judges fully examine preliminary injunction cases based on trademarks just the same as in a main lawsuit. Therefore, in practice, a petitioner would assume the burden of proof of an alleged infringement to a substantially similar degree as in a main lawsuit.

To obtain a preliminary injunction, a petitioner needs to prove the necessity of an injunction to 'avoid significant damages or imminent threat', as a requirement equivalent to urgency. Filing a petition earlier is better, but there are no clear standards as to until when the urgency requirement can be met.

Evidence

In Japan, no US-style discovery is allowed in infringement proceedings. However, an order for document production with limited scope under certain conditions is available. Live testimony can be used under the Code of Civil Procedure, although judges usually prefer to dispense with the examination of witnesses for trademark infringement cases as mentioned above. Affidavits from experts are often submitted to prove important facts, such as the pronunciation of foreign words, the likelihood of confusion, the fact that the mark is well-known and the amount of damages. Under the Code of Civil Procedure, each party may file a court petition for an order of document production against an adverse party or a third party, as long as:

- the requesting party can identify the document to be produced;
- there is necessity to obtain an order for document production; and
- the adverse party or the third party has no statutory grounds of immunity from production.

If a party does not comply with an order to produce documents, the court may find the adverse party's allegations concerning the contents of said documents to be true. However, if the person in possession of the documents has legitimate grounds for refusing to produce them, a party ordered to produce them does not need to comply with the order.

Furthermore, there is another proceeding by which each party may request a court to request a third party to produce documents voluntarily. To obtain evidence from third parties outside the country, a party should request a foreign court through a Japanese court to provide judicial assistance and obtain evidence in accordance with the Convention on Civil Procedure or bilateral international agreements.

Available Defences

In defending a charge of infringement, an alleged infringer often alleges, inter alia:

- no similarity of the marks;
- no similarity of goods or services;
- no likelihood of confusion;
- prior use that caused an allegedly infringing mark to become well known;
- that the registration is invalid;
- that the registration should be cancelled as a result of non-use of the registered mark;
-

that the alleged infringer's use is not the use as a trademark (ie, the use is not for identifying the source of goods or services) (article 26 (1) of the Trademark Act);

- the exhaustion of rights by first sale;
- parallel importation;
- abuse of trademark rights; and
- extinctive prescription.

In addition to a defence before the courts, an alleged infringer may file a petition for invalidation or cancellation of registration as a separate proceeding before the Japan Patent Office (JPO). Filing a petition for invalidation or cancellation with the JPO does not necessarily stop litigation proceedings before a court, but judges sometimes prefer to await the outcome of a JPO decision.

Methods Of Determining Damages

As to monetary relief, the amount of damages is limited to actual damages (enhanced damages such as punitive damages are not allowed in Japan). The amount of attorneys' fees awarded does not necessarily correspond to the actual amount of attorneys' fees incurred, and is typically around 10 per cent of total damages, as mentioned above.

After the judges disclose their impression that they have found an infringement, they proceed to a hearing on the claim for damages. Due to the provisions regarding the calculation of damages under the Trademark Act, the amount of damages is usually determined by:

- the profit that a plaintiff would have received if there had been no infringement of the trademark by the infringer (article 38(1) of the Trademark Act);
- the profit gained by an infringer (article 38(2) of the Trademark Act); and
- a reasonable or established royalty rate (article 38(3) of the Trademark Act).

Trademark owners usually claim damages on the basis of one or more of the provisions of article 38(1) to (3) of the Trademark Act. On the other hand, alleged infringers may rebut the trademark owners' arguments by proving the facts that overturn the calculations or presumptions.

Article 38 (1)

In a claim for damages under article 38(1), the amount of damages is determined by the number of infringing products multiplied by the amount of profit per unit gained by the trademark owner that sells competing products.

In general, it is understood that to be subject to the presumptions of damages under article 38(1) of the Trademark Act, the circumstances in which the trademark owner sold products competing in the market with the infringing goods are required.

Article 38 (2)

In the application of article 38(2), the profit gained from the act of infringement is presumed to be the amount of damages.

It is also understood that to be subject to the presumptions of damages under article 38(2), the circumstances suggesting that the trademark owner could gain benefits if there had been no act of infringement are required.

The calculations of damages in article 38(2) and (3) of the Trademark Act may be applied in duplicate. That is, in the Intellectual Property High Court judgment, 30 November 2022 (the Morihan case), the court stated that even if the presumption under article 38(2) of the Trademark Act is overturned, article 38(3) may be applied where the trademark owner is deemed that it would have been able to license the portion for which the presumption is overturned.

Article 38(3)

A reasonable royalty rate is determined by considering the royalty rate in the actual licence agreement of the trademark, the value of the trademark itself and the contribution to the sale of goods or services when the trademark is used, etc. For example, in the Morihan case, the court found that the royalty rate was 0.5 per cent, while in the Tokyo District Court judgment, 31 August 2012 (the Cartier case), the court found that the royalty rate was at least 10 per cent.

In contrast to article 38(1) and (2), even if a trademark owner has not used the registered trademark, the calculation of damages under article 38(3) of the Trademark Act may be applied. In defending a claim for damages under article 38(3), the alleged infringer may allege no possibility of the occurrence of damages.

Intangible Damages

The trademark owner may also claim damages for tarnishing the brand value or reputation. Recently, in the Tokyo District Court judgment, 9 March 2023 (the Hermes case), the court found that the plaintiff's brand value was tarnished by the infringer's sale of goods made of cheap materials similar in shape to the plaintiff's luxury bags, and that the plaintiff suffered intangible damages of at least ¥1 million.

Appeals

A judgment of a district court may be appealed to a high court with jurisdiction over the district court in the proceedings for trademark infringement. As to a judgment of a district court within the jurisdiction of the Tokyo High Court, such judgment may be appealed to the Intellectual Property High Court. The grounds for appeal from a district court to a high court are that the first judge made an error in a factual finding or in the application of law.

The Supreme Court will hear appeals from a high court on the grounds of error in interpretation and other violations of the Constitution. In addition, violations of the civil procedure rules, such as an error in jurisdiction or lack of reasoning, will also give rise to a right of appeal to the Supreme Court. A system of petitions to the Supreme Court has been introduced that gives it discretion to accept cases if the judgment being appealed is contrary to precedent or contains significant matters concerning the interpretation of laws and ordinances.

OUTLINE OF BORDER ENFORCEMENT

As to border enforcement, trademark owners can file an application for import or export suspension of goods suspected of infringing trademarks with the customs authority. The

trademark owner is required to submit mainly the following documents with the application form:

- documents certifying the substance of the intellectual property right concerned;
- written material to substantiate the fact of infringement; and
- written material describing features that can serve as a key to distinguishing alleged infringing goods.

If the Director General of Customs believes, based on an application by the trademark owner or an inspection by a customs official, that cargo constituting a trademark infringement is among the cargo that a person seeks to import, the Director General must implement procedures to verify whether or not the goods in question constitute a trademark infringement (the verification procedures). It usually takes one month from the filing of an application to deciding on whether or not to implement verification procedures.

During the verification procedures, both a trademark owner and an importer or exporter will be provided with opportunities to produce evidence and state their opinions, and the customs authority will then determine if the suspected goods constitute a trademark infringement. The Director General of Customs may not confiscate the cargo unless it has been subjected to verification procedures.

The issues related to the importation of counterfeit goods for personal use are described below.

RECENT REVISIONS OF THE TRADEMARK ACT

In the case of cross-border trade of counterfeit goods, when there is a business (importer or distributor) in Japan, the infringement of trademark rights was established on the import of counterfeit goods by the business, and it was possible to confiscate counterfeit goods at customs.

In recent years, however, due to the development of e-commerce and a decrease in delivery charges for international cargo, there has been a sharp increase in the number of cases in which domestic businesses do not intervene (ie, overseas vendors directly sell and send a small amount of counterfeit goods to individuals in Japan via postal mail, etc). In these cases, the acts of individuals in Japan do not constitute an infringement of trademark rights, and it is not clear whether or not the acts of overseas vendors constitute an infringement of trademark rights under the previous Trademark Act, therefore, customs could not confiscate such counterfeit goods.

In practice, moreover, as a precondition for the confiscation of goods at customs, the Director General of Customs must take procedures to determine whether or not imported goods fall into the category of goods infringing intellectual property rights. In such procedures, however, when an importer claims 'for personal use', it may not be found that the goods are not for personal use and may not be confiscated as goods infringing trademark rights.

In recent years, the import of such counterfeit goods for personal use has rapidly increased, and it has not been possible to put a brake on the increase in the inflow of counterfeit goods into Japan.

In response to such increase in the importation of counterfeit goods for personal use, overseas vendors bringing counterfeit goods into Japan commercially via postal mail, etc,

have been newly specified as an infringement of trademark rights from 1 April 2024, under the revisions of the Trademark Act.

The revisions of the Trademark Act made it possible to confiscate counterfeit goods as trademark infringing goods even if they are imported by overseas vendors for personal use.

ANDERSON MÖRI & TOMOTSUNE

Masayuki Yamanouchi

masayuki.yamanouchi@amt-law.com

Yuta Oishi

yuta.oishi@amt-law.com

Koki Sasaki

koki.sasaki@amt-law.com

Satoko Yokogawa

satoko.yokogawa@amt-law.com

Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku Tokyo 100-8136, Japan

Tel: +81 3 6775 1000

<http://www.amt-law.com>

[Read more from this firm on WTR](#)

Specialist Chapter: How Brands Manage Trademark Litigation in the Downtimes – and How Private Practice can Provide What They Need

[Elizabeth Rutherford-Johnson](#) and [Sienna Bentley](#)

Summary

WHAT ARE THE KEY THINGS THAT YOU LOOK FOR WHEN CHOOSING AN EXTERNAL LAW FIRM IN A LITIGATION MATTER?

WHEN IT COMES TO COMMENCING LITIGATION, WHAT MAKES FOR A SUCCESSFUL PARTNERSHIP – AND WHAT ARE SOME OF THE THINGS THAT MIGHT SOUR IT?

HOW ARE BUDGET CONSTRAINTS HITTING THE APPETITE FOR TRADEMARK LITIGATION, ESPECIALLY IN THE CURRENT ENVIRONMENT?

ARE THERE THINGS THAT LAW FIRM PARTNERS CAN DO TO HELP CLIENTS FORECAST AND MANAGE LITIGATION BUDGETS?

HOW WOULD YOU CHARACTERISE THE US LITIGATION LANDSCAPE RIGHT NOW FROM THE PERSPECTIVE OF BRAND OWNERS?

ON A PRACTICAL DAY-TO-DAY LEVEL, HOW DO YOU WORK WITH LAW FIRM PARTNERS TO DETERMINE THE BEST COURSE OF ACTION WHEN CONSIDERING LITIGATION?

As the economic outlook continues to be precarious, it has never been more challenging for trademark counsel to explain and justify the costs of protecting brands to the C-suite. This goes double when litigation is involved, where outcomes are unpredictable and cases can last for years. However, when it comes to defending intangible assets, sometimes going to court is the only option. When this happens, trademark counsel need to rely on the right outside counsel to manage the litigation and obtain the best outcome for the business.

Patrick Flaherty, senior managing associate general counsel at Verizon, Mark Leonard, general counsel at Sunsweet and David Modzeleski, senior vice president and head of global intellectual property at Warner Bros Discovery, offer their perspectives on what they look for in external law firms and speak frankly about what private practice can do to make themselves better partners. They are joined by Danny Awdeh, partner at Finnegan, to discuss what each side can offer the other and what a successful partnership looks like.

WHAT ARE THE KEY THINGS THAT YOU LOOK FOR WHEN CHOOSING AN EXTERNAL LAW FIRM IN A LITIGATION MATTER?

Mark Leonard (ML): Ideally, they will have had experience with the opposing side or opposing counsel. That is huge. If not, familiarity with the judge also helps. Finally, just a really good knowledge of the subject matter.

A few years ago, we were defending a trademark infringement case and three different firms pitched to us. The one that we went with was the one that clearly demonstrated the most in-depth knowledge of the subject matter. It was sort of an odd case; it really read like a law school exam, there were so many issues. The attorney spotted all of those quickly and recognised that I had a trademark background so did not try to explain things to me in a very basic way. That is why we went with them and it was great, they did a fantastic job.

David Modzeleski (DM): Obviously, we start by looking for subject-matter expertise and knowledge of our business – who we are as a company and the media entertainment industry, in particular.

We look for prior experience that they may have in handling similar claims in the relevant court or jurisdiction; I also like to look for real specificity in terms of how they will staff the matter. It's super important to understand who exactly will be doing what on the case from the start.

I also look for clarity on budget and expected costs associated with any litigation matter and, probably most importantly, I look for a clearly defined strategy. It is crucial in the beginning to be aligned on what the approach will be and the desired outcome. We really look for our litigation firms to be proactive – not reactive – so that they are driving the case forward in a way that helps us best meet our litigation objectives.

Patrick Flaherty (PF): One of the big things that we look for in US outside counsel is diversity – by gender, race and sexual orientation. We have a diversity survey that we ask all of our outside counsel to complete. It's voluntary, but the information does help us keep track of our diversity goals every year.

This is a great way for us to be able to gauge where we are when it comes to who we are working with as outside counsel and determine how diverse that counsel is. We want to see diversity not just at the associate level, but the partner level too.

Danny Awdeh (DA): We have absolutely seen interest in diversity as a growing concern. Clients want their law firms to reflect who they are and it's up to us to provide them with a diverse group of attorneys to work with. Finnegan has placed a huge emphasis on diversity, and we are seeing that diversity is often at the top of the list of requirements from prospective clients. Even in a litigation matter, you need a team that's diverse and capable of providing a full range of perspectives.

I think it's also critical to understand the client's industry and what they are trying to achieve with their business. If we understand this, we can provide the best and most appropriate counsel, and look at contentious matters through a commercially orientated lens. If you are not sensitive to the disruption litigation can bring to a client's business, or if you are not fully aware of how things could play out relative to a client's business interests, then I think it's very difficult to navigate litigation effectively. For me, that is my number one priority. Of course, having a proven track record that gives the client confidence that you have successfully navigated these issues before and that you're giving practical advice based on experience is crucial.

WHEN IT COMES TO COMMENCING LITIGATION, WHAT MAKES FOR A SUCCESSFUL PARTNERSHIP – AND WHAT ARE SOME OF THE THINGS THAT MIGHT SOUR IT?

DM: An open, clear and succinct communication style is super critical. We are all extremely busy these days, so we don't have a lot of time to try to decipher what our external partners are trying to tell us. I am also really looking for what I would describe as 'commercially centred' advice and strategy. We're not just talking about legal concepts but how to apply them – we have to keep our eye on the fact that everything we are doing is for a commercial purpose. So, for example, if they want to talk to us about recent cases or new laws or legislation and how it may impact us in a particular matter, that's fine, but what is the commercial reasoning behind it?

I would also say a clear understanding of expectations and what we view as a successful result. It's a two-way street; we really need to communicate with our external partners as to what we view a successful result in a particular matter to be so that they can work from that, because it is not always clear cut.

ML: Certainly, you want to see efficiency and transparency. When I get my invoice for a litigation matter, I don't like to see that five attorneys have billed on the matter and I don't know four of them. One firm in particular does this very well; when commencing a new litigation matter, there is an intro call where they introduce me to everybody who's going to be on the team, and whether or not they are going to be billing. In some cases, associates will be working on a case but not actually billing. I think that's a really good approach.

One thing that would sour a relationship would be when a budget has been discussed and the firm blows through it without telling me and I only find out when I get my next invoice. If I have to repeatedly ask for updates on the matter, that's not a good sign, either.

PF: We want high-quality work at a reasonable price. We are not looking for the cheapest of the cheap. We also don't always use a fixed-fee arrangement.

HOW ARE BUDGET CONSTRAINTS HITTING THE APPETITE FOR TRADEMARK LITIGATION, ESPECIALLY IN THE CURRENT ENVIRONMENT?

DA: It depends on the nature of the litigation, what's involved, and how significant it is to the business. I do see sensitivities across all cases, but more so on the routine cases and less

so where the outcome can materially affect the company's bottom line. But at both ends of the spectrum, we strive to provide clients with as much certainty as possible as to what their fees will be and to communicate frequently about where we are on the budget relative to what is happening in the litigation. No client wants to be surprised by a bill, and we do our best to get well ahead of any anticipated changes to litigation budgets.

ML: I haven't noticed a particular shift in appetite, but in my space – food and beverage – if we are going to litigate a matter, it is because anything close to a counterfeit is a very, very serious offence, potentially even a health and safety issue.

More generally, everything is more expensive now, including litigation. So unless you have a really strong probability of success, I would say that maybe the appetite for litigation has waned a bit.

PF: When it's not in the United States or other countries where it's expensive to litigate like the United Kingdom, usually this isn't a problem for us. We have enough of a budget for enforcement that allows us to chase down infringement around the world. In some countries, litigation moves very slowly, almost at a glacial pace: you might have a lot of billing upfront in order to file the lawsuit, but as soon as the case starts, everything afterwards moves much more slowly. After that, the additional billing is incremental in nature.

DM: Budget is always a consideration. Legal departments, including IP litigation departments and IP departments, are cost centres so we need to be mindful of our spend and we need to spend our money wisely and smartly. That said, intellectual property, including brands, is extremely valuable and it's critical to protect it, so I think there will always be a need and a place for investing in litigation.

I would say, though, that there are ways to spend smartly and we partner with our firms to closely manage to a budget. We work with them on their rates on a timekeeper-by-timekeeper basis and on staffing decisions to try to drive value without sacrificing quality. We have a lot of discussions about what firms can offer us in terms of alternative billing arrangements. We are always thinking creatively about how we can best manage to a budget and spend as wisely as possible.

ARE THERE THINGS THAT LAW FIRM PARTNERS CAN DO TO HELP CLIENTS FORECAST AND MANAGE LITIGATION BUDGETS?

PF: Yes. If law firms are used to doing fixed-fee arrangements in litigation, that's an important thing to communicate to clients. Knowing that you have some guardrails around how much money you're going to spend makes it easier to decide when to move forward with litigation.

DM: I think the first thing that they should do – or we ask them to do – is to put the budget clearly in writing. After that, periodic and regular updates with regard to how the matter is tracking to the budget are super important.

Firms should also flag any overages that they might see, ideally before they happen. Litigation is dynamic in nature, and things are going to change. So, to the extent that we are getting off budget or going over in certain categories, knowing about that as soon as possible and ideally beforehand is key because that might well inform how we proceed.

Generally, experienced counsel should anticipate the unexpected and include that in the budget from the outset.

DA: I think it's necessary to have transparency and good communication at the outset and throughout the life of the litigation. We draw from extensive experience of litigating across federal courts all over the country with differing levels of complexity to inform how we budget and predict costs. However, every case is different – different adversaries, facts, complexities, judges, and endgames. It's virtually impossible to predict costs with absolute certainty, but it is possible to draw on experience and data to provide informed estimates that help clients manage budgets and control costs.

ML: I'd flag really efficient use of associates, and perhaps even paralegals. Especially at the beginning of a case before you get into discovery, the most senior partner does not need to be the one doing the drafting.

HOW WOULD YOU CHARACTERISE THE US LITIGATION LANDSCAPE RIGHT NOW FROM THE PERSPECTIVE OF BRAND OWNERS?

DM: There will always be a lot of litigation activity for brand owners in the United States, so long as brands and particularly trademarks are considered key IP assets. Given the importance of brands in the media entertainment space, not only associated with content but with other lines of business like consumer products for example, I think we are going to see a lot of enforcement activity, pre-litigation activity and full, actual litigation activity, given the amount of intellectual property that we own and the importance of protecting it. Intellectual property is, in many ways, the backbone of media and entertainment, both trademarks and the content.

PF: I would say that it's trademark friendly. There is one important trademark case that the US Supreme Court took on this year: the Jack Daniels case involving Bad Spaniels, the dog toy maker. We were closely monitoring this case as it relates to dilution claims involving famous/well-known marks and follows a series of other cases of a similar nature. We are glad to see how the Supreme Court decided the Jack Daniels case. The case has now been remanded, so we're watching and waiting to see what the lower court will do as it looks at the case on the grounds of likelihood of confusion and I'm hoping that the trademark owner will win. This lawsuit deals with the parody defence.

We have also been watching all of the litigation involving NFTs, such as the Birkin and Nike cases. These are of interest primarily because they relate to trademarks involving a new piece of technology. Seeing how brand owners can protect their marks has been interesting and it's been going pretty well for them so far, for Birkin and Nike in particular.

ML: It is so hard to generalise. It really depends on the court and the particular judge. Assuming you were in federal court, having a judge that has some familiarity with trademark law would be ideal. If not, if you have maybe a more basic case, you kind of roll the dice.

That is what I would be looking for in filing a new suit – from a jurisdictional perspective, you have probably got a lot of options, depending on the nature of the infringement, and I would try to get to a court that sees a fair amount of trademark infringement suits.

DA: Although it can be costly, the United States is a one of the best places to litigate trademark disputes. These cases are typically litigated in federal district courts where we have great judges nationwide. They're accustomed to seeing trademark cases with some regularity, so they're generally familiar with the issues. Novel trademark issues tend to hit our federal courts first and the resulting decisions (even if they are not dispositive) help brand owners better predict what the ultimate outcome might be and where the law is trending, which is

often far more difficult to do in other jurisdictions. Importantly, the United States is one of the world's most crucial commercial jurisdictions, so the remedies that are available to clients here are often more significant and/or meaningful than they might be elsewhere.

ON A PRACTICAL DAY-TO-DAY LEVEL, HOW DO YOU WORK WITH LAW FIRM PARTNERS TO DETERMINE THE BEST COURSE OF ACTION WHEN CONSIDERING LITIGATION?

PF: We usually make our own decisions about what we want to go after as infringement – we know what we don't like. We have a zero tolerance when it comes to infringement, especially when it involves anybody using the mark VERIZON, even for unrelated goods and services. It's a made-up word so it doesn't mean anything, but it's ours and we want to protect it.

DM: There are certainly instances when filing a claim is necessary and advisable, but we obviously look for ways to avoid full-blown litigation, particularly for more routine and less consequential matters. When working with our law firm partners, we start by evaluating the merits of our position – we clarify our goals and objectives with them for a particular matter. As part of that, we consider what the role of potential litigation might play. But no one really likes to be in prolonged litigation; we try to solve it the best that we can without resorting to litigation. It has its place, but it is in everyone's best interests to try to avoid it if possible, for a variety of reasons like cost and expediency.

DA: I tend to be very collaborative with our clients. I think it's important to do this, mainly to understand what the business is trying to achieve, but also to draw on their own experience within the company and as an attorney. In-house counsel are a huge asset, so we collaborate very closely with clients through them. Some enjoy being quite involved in the case, from reviewing pleadings and providing comments, which is great. Others choose to defer to their outside counsel, but I see great benefit in collaborating, no matter to what extent, with in-house counsel.

ML: Severity of infringement, probability of success and candidness are key factors for us. I have a firm that I use and they will not recommend filing an infringement suit unless they think that we have an 80% chance of success. It varies from firm to firm, but certainly be very upfront at the beginning about all of the strengths and weaknesses, saying: "Okay, we know that this is a clear-cut case of infringement, but the damages are likely to be negligible or very low. From a business standpoint, do we want to spend this money on going after this infringement matter knowing that the likelihood of getting a full recovery is limited?" I want to know that up front, and again, working as efficiently as possible and being responsive.

Canada: Winning Strategies for Litigating Before the Courts

[Dominique Hussey](#) and [Melissa Dimilta](#)

[Bennett Jones](#)

Summary

[IN SUMMARY](#)

[REFERENCED IN THIS ARTICLE](#)

[INJUNCTIONS AT A GLANCE](#)

[LEGISLATIVE FRAMEWORK AND CAUSES OF ACTION](#)

[INFRINGEMENT](#)

[DEPRECIATION OF GOODWILL](#)

[PASSING OFF](#)

[LITIGATION VENUE AND FORMATS](#)

[ALTERNATIVE DISPUTE RESOLUTION](#)

[DAMAGES AND DISGORGEMENT](#)

[EVIDENCING THE CASE](#)

[AVAILABLE DEFENCES](#)

IN SUMMARY

This chapter covers trademark litigation in Canada at a high level, including causes of action, remedies, evidence and defences.

1. Injunctions at a glance
 2. Legislative framework and causes of action
 3. Litigation venue and formats
 4. Damages and disgorgement
 5. Evidencing the case
 6. Available defences
-

REFERENCED IN THIS ARTICLE

1. Trademarks Act, RSC 1985, C T-13
 2. Competition Act, RSC 1985, C C-34
 3. Federal Courts Act, RSC 1985, C F-7
-

INJUNCTIONS AT A GLANCE

Interlocutory injunctions are available but rarely granted in trademark cases. The test for an interlocutory injunction is as follows:

- there is a serious issue to be tried;
- the plaintiff will suffer irreparable harm if the injunction is not granted; and
- the balance of convenience rests with the plaintiff.

Most interlocutory injunction motions fail because of an inability to establish irreparable harm. Courts have interpreted this part of the test to require demonstration of harm that cannot be compensated by a pecuniary payment. Permanent injunctions are almost always granted after a full hearing and a finding of infringement.

Payment of a security or deposit is not necessary to secure an injunction. However, the plaintiff is required to give an undertaking as to damages, meaning that if it ultimately loses at trial, it may be forced to pay the damages incurred by the other party as a result of the injunction.

Registered trademark owners can file a request for assistance with the Canada Border Services Agency whereby the agency would detain suspected counterfeit goods at the border.

LEGISLATIVE FRAMEWORK AND CAUSES OF ACTION

Canada has a robust system of trademark enforcement with several available causes of action for an aggrieved owner.

The Trademarks Act provides for the registration of trademarks and the enforcement of registered and unregistered rights. Common law rights accrue to owners of unregistered trademarks used in Canada. Under common law, these rights are limited to the geographic area where the trademark has been used. Common law rights alone can be the foundation of what is sometimes informally referred to as an infringement claim, but is really the claim of passing off.

In addition to infringement and passing off, the Trademarks Act also permits a plaintiff to sue for:

- false and misleading statements that tend to discredit the business, goods or services of a competitor;
- descriptions of goods that are materially false and mislead the public as to their character, geographic origin or mode of manufacture; and
- with respect to a registered trademark only, depreciation of goodwill.

The Competition Act prohibits the promotion of a product through the making of a representation that is false or misleading in a material respect. This provision is typically asserted in conjunction with other causes of action under the Trademarks Act. There are Criminal Code provisions relating to the forgery of trademarks and counterfeiting. Breach of the Criminal Code is litigated in a criminal court and not in the context of a civil case.

Proceedings for trademark infringement, at least in the Federal Court, can proceed in one of two ways. The first is an action, which involves detailed pleadings, documentary and oral discovery, and a trial with live witnesses. This process can take about two to three years. Alternatively, a plaintiff may proceed by way of application. An application is a summary procedure that involves more limited pleadings, affidavit evidence, cross-examination and a hearing on a paper record. An application can proceed from the originating document to a final determination in less than a year, but with court-granted extensions it may take more than a year. In both types of proceedings, parties may seek a bifurcation order postponing the hearing or trial on damages until after the hearing or trial on liability.

INFRINGEMENT

To establish infringement of a registered trademark, the plaintiff must prove a likelihood of confusion. While the court may consider a wide range of factors in assessing this, resemblance in appearance, sound and idea suggested by the trademarks at issue is often the paramount consideration. In the absence of resemblance, confusion is unlikely.

DEPRECIATION OF GOODWILL

To establish depreciation of goodwill, the plaintiff essentially must prove that its registered trademark:

- was used by the defendant in connection with goods or services;
- is sufficiently well known to have significant goodwill attached to it; and
- was used in a manner that is likely to depreciate the value of goodwill in that trademark.

Each of these steps must be supported by evidence as opposed to inference.

PASSING OFF

To establish statutory passing off, the plaintiff must prove goodwill in the trademark at issue, misrepresentation (based on confusion) and actual damage. Again, each of these must be supported by evidence as opposed to inference.

LITIGATION VENUE AND FORMATS

Court System And Litigation Venues

Canada has two separate court systems:

- the Federal Court, a court of federal jurisdiction that sits across Canada and issues rulings with national effect; and
- provincial or territorial superior courts, the jurisdiction of which is limited to the individual provinces and territories of Canada in which the court sits.

The subject matter jurisdiction of the Federal Court is specific and conferred by the Federal Courts Act and other federal statutes, such as the Trademarks Act. By contrast, the provincial superior courts are courts of general jurisdiction.

The Federal Court and provincial superior courts have concurrent jurisdiction for most trademark disputes, including trademark infringement and passing off. Where a dispute is based on tortious activity, such as common law passing off that does not involve a trademark (eg, a business name), only the provincial superior courts have jurisdiction to hear the matter.

Forum Shopping

While the above-mentioned courts have concurrent jurisdiction for most trademark disputes, the Federal Court continues to hear most of these cases. The Federal Court's popularity is driven by its subject matter expertise, comprehensive remedies and national effect.

Only the Federal Court has jurisdiction to invalidate and expunge trademarks. Orders of the Court are made against the subject itself (ie, the trademark) and not just between the parties. The Court's jurisdiction extends to all provinces and territories. An order of a provincial superior court, by contrast, is enforceable only in that province. The benefit of the Federal Court's national jurisdiction is obvious in cases that involve infringing activities in more than one province. In these circumstances, commencing a single proceeding in the Federal Court is the more efficient way of obtaining injunctive and monetary relief against the infringer. Finally, the Federal Court process may benefit from longer limitation periods.

No Juries

Trademark disputes in Canada are heard before a judge without a jury. Juries do not exist in the Federal Court. Juries in the provincial superior courts are typically confined to criminal matters or limited types of civil disputes (eg, libel and personal injury matters).

ALTERNATIVE DISPUTE RESOLUTION

Alternative dispute resolution (ADR) procedures are available to resolve trademark disputes. Private mediation and arbitration services are offered throughout Canada and may be employed if the parties agree or if they are contractually bound to do so.

In some jurisdictions in Canada, ADR may be required before an action can proceed to trial. The Federal Court's Rules encourage mediation by requiring that the parties discuss and be prepared to discuss the possibility of referring unsettled issues to a dispute resolution conference within 60 days of the close of pleadings and at a mandatory pretrial conference that takes place before a judicial officer. Other resolution proceedings, such as a neutral evaluation of a case by a judge of the Court who is not seized of the matter, are also available from the Federal Court.

DAMAGES AND DISGORGEMENT

Damages

A successful plaintiff can elect between damages (its losses arising from the infringing sales) and an accounting and payment of the defendant's profits. Damages are available as of right and profits are an equitable remedy that may be refused at the court's discretion. Damages intend to put the plaintiff into the position it would have been but for the act of infringement. By contrast, an accounting of profits is not meant to compensate for injury but to remove the benefits the wrongdoer has made as a result of the infringement.

If a plaintiff can prove that it would have made the sales otherwise made by the infringer, it will likely be awarded its profit margin on those sales. Other circumstances may attract a reasonable royalty. In general, proving damage can be difficult in trademark litigation cases. This is especially true if the defendant refuses to participate in the litigation, which is common in counterfeiting cases. In such circumstances, the Federal Court has indicated that an award of nominal damages, multiplied per act of infringement, is reasonable and proper. The Court has been clear that difficulty in assessing damages does not mean that they will not be awarded.

Recently, the Supreme Court of Canada has confirmed that an accounting of profits requires an infringer to disgorge all the profits it made that are "causally attributable" to the infringement. An accounting of profits assessment requires the plaintiff to first prove the actual profits the infringer made by selling the infringing product and then the defendant to prove its expenses offsetting such gross profits.

Punitive damages may be awarded where an infringer's conduct is outrageous; a punitive award based on intentional infringement alone is rare. A successful plaintiff will be awarded part of its costs, which include both fees paid to lawyers and disbursements incurred.

Available Remedies

Interlocutory injunctions are rarely granted in trademark cases. The test for an interlocutory injunction is as follows:

- there is a serious issue to be tried;
- the plaintiff will suffer irreparable harm if the injunction is not granted; and
- the balance of convenience rests with the plaintiff.

Most interlocutory injunction motions fail because of an inability to establish irreparable harm. Courts have interpreted this part of the test to require demonstration of harm that cannot be compensated by a pecuniary payment. However, recent authorities suggest that the Federal Court may be more willing to grant interlocutory injunctions and relax the

threshold for satisfying the irreparable harm prong of the test compared to past applications of the test.

Permanent injunctions are almost always granted after a full hearing and a finding of infringement.

An order compelling the defendant to deliver up all infringing merchandise to the plaintiff will generally be granted as a matter of course. The court also has the discretion to order that equipment used to produce the infringing goods, packaging, labels or advertising material be destroyed.

EVIDENCING THE CASE

Investigations And First Steps

Investigations, such as trademark use and marketplace investigations, are important in Canadian trademark disputes for three reasons:

- Canada is a first-to-use jurisdiction;
- use is necessary for maintaining and enforcing trademark rights; and
- uses of similar trademarks by third parties, or a lack thereof, can weaken or strengthen a brand owner's case.

While use is not required to obtain trademark registration, Canada remains a first-to-use jurisdiction. Therefore, to determine rights, it is critical to any trademark dispute to assess the first use dates and scope of use of each party. Marketplace use investigations are even more critical now because trademark applications no longer disclose information on the use status of a particular mark. Trademark use is central to the maintenance and enforcement of rights in Canada.

Third-party uses of similar marks in the marketplace can narrow the ambit of protection of a brand owner's mark. Therefore, it is important for brand owners to conduct routine market investigations to monitor and police third-party uses. This is no less important before commencing litigation against a potential infringer, because asserting a weak mark in aggressive litigation may result in counterattacks and unfavourable decisions for future enforcement efforts. Investigations should be conducted before and during litigation.

Survey Evidence

Litigants in trademark disputes need not expend extensive resources to file consumer survey evidence on the issue of confusion. The Supreme Court of Canada has stated that survey and expert evidence should be admitted sparingly and only when it is beyond the experience of the court to decide on issues of confusion. This means that a brand owner now may encounter fewer economic obstacles before pursuing infringers than they once did.

Use Of Expert Witnesses

Expert evidence may be tendered in trademark proceedings involving registrability issues (eg, opposition and expungement proceedings). When assessing the suitability of potential expert witnesses, it is important to ascertain that they had the relevant expertise at the relevant date.

AVAILABLE DEFENCES

Liability

The plaintiff bears the burden of proving infringement, passing off and depreciation of goodwill on a balance of probabilities. A defendant can therefore defend, in each case, against each cause of action on the basis either that the plaintiff has not met its burden of proof or that the defendant has marshalled sufficient evidence to the contrary. Where the plaintiff fails to meet its burden on any part of the tests applied to passing off or depreciation of goodwill, the defendant will prevail.

In infringement and passing-off actions, the most common defence is absence of a likelihood of confusion. In infringement proceedings, provided that the use in question does not depreciate the goodwill attached to the registrant's marks, use of a personal name as a trade name and use of the geographical name of a place of business or of any accurate description of the character or quality of goods or services are also defences, as is mere use of a utilitarian feature embodied in a trademark.

A defendant can also defeat allegations of trademark infringement, passing off and depreciation of goodwill by alleging, by way of defence or in a counterclaim, that the asserted trademark is invalid or void ab initio. The burden of proving invalidity on a balance of probabilities rests with the defendant. A defendant can defeat a passing-off case involving an unregistered sign by proving that the sign in question is not a trademark or that the plaintiff has not established goodwill in the trademark.

Broadly, a trademark registration can be invalidated if:

- the trademark was never registrable;
- the trademark has lost distinctiveness;
- the trademark was abandoned intentionally;
- the applicant was not entitled to register the trademark;
- there was a material misrepresentation in the prosecution of the trademark; or
- the application was filed in bad faith.

Damages

The Federal Court of Appeal recently has affirmed that owning a trademark registration is an absolute defence to a requirement to pay damages or disgorge profits during the period of registration. This defence stands even if the registration is later invalidated, unless it was void ab initio.

In addition to defences on liability, therefore, a defendant may have recourse to a defence against owing damages where the infringing activities involve a defendant's use of its own registered, but infringing, trademark.

Appeals Process

All decisions of the registrar of trademarks may be appealed, as of right, to the Federal Court within two months of the date on which the decision was dispatched. These decisions include refusals to register a trademark, cancellation of a trademark and decisions in opposition proceedings (including the decision not to reject an opposition where it did not raise a substantial issue for decision).

The appeal is effected by filing a notice of application with the registrar of the Federal Court. On appeal, additional evidence may be filed without leave and the court may substitute its decision for the registrar's decision, without deference, if the new evidence is materially different from that before the registrar. If no new evidence is filed, the appeal is not a new hearing, as the original record before the registrar remains the record before the court. The decision will be set aside if it is demonstrably unreasonable.

An appeal from an action or application heard by the Federal Court of Canada, at first instance or otherwise, is appealable as of right to the Federal Court of Appeal. The appellant must file, within 30 days of the pronouncement of judgment or determination appealed from, a notice of appeal setting out the grounds of appeal. Only with leave and in rare instances may additional evidence be filed on appeal. On issues of law, the Federal Court is not entitled to deference. The Federal Court of Appeal can overturn a finding of fact only if the Federal Court judge made a palpable and overriding error with respect to that finding.

With leave, the losing party can appeal an order of the Federal Court of Appeal to the Supreme Court of Canada, but only on issues of national importance.



Dominique Hussey
Melissa Dimilta

husseyd@bennettjones.com
dimiltam@bennettjones.com

3400 One First Canadian Place, PO Box 130, Toronto ON M5X 1A4, Canada

Tel: +1 416 863 1200

<http://www.bennettjones.com>

[Read more from this firm on WTR](#)

United States: Last 12 Months See New Court Precedents and Fresh Ways to Challenge Existing Registrations

Lauren Gregory Leipold and Kenneth L Wilton

Seyfarth Shaw LLP

Summary

[IN SUMMARY](#)

[DISCUSSION POINTS](#)

[REFERENCED IN THIS ARTICLE](#)

[INJUNCTIONS AT A GLANCE](#)

[INTRODUCTION](#)

[GUIDANCE FROM US SUPREME COURT](#)

[GUIDANCE FROM LOWER COURTS](#)

[GUIDANCE FROM THE TTAB](#)

[ENDNOTES](#)

IN SUMMARY

This chapter provides an overview of key developments in trademark litigation in the United States over the past year. It addresses new legal precedents set by the US Supreme Court, federal trial and appellate courts, and the US Patent and Trademark Office's Trademark Trial and Appeal Board. It also provides guidance and takeaways from the first wave of decisions interpreting the 2020 Trademark Modernization Act's expungement and re-examination procedures.

DISCUSSION POINTS

- First Amendment defence and extraterritorial application of US trademark law
- Scope of trademark protection for virtual goods and burden of proof for 'crowded field' defences
- Importance of complying with formalities in USPTO forms
- Defences based on deficiencies in asserted trademark registrations
- Unique cancellation remedy available under the Pan American Convention
- Best practices in expungement and re-examination proceedings

REFERENCED IN THIS ARTICLE

- *Jack Daniel's Properties, Inc v VIP Prods LLC*
- *Abitron Austria GmbH et al v Hetronic Int'l, Inc*
- *Hermès Int'l and Hermès of Paris, Inc v Rothschild*
- *Spireon, Inc v Flex Ltd*

INJUNCTIONS AT A GLANCE

Preliminary injunctions – are they available, how can they be obtained?	Available upon motion in court. Movant enjoys statutory presumption of irreparable harm upon showing likelihood of success on the merits.
Permanent injunctions – are they available, how can they be obtained?	Available after prevailing on the merits in court. Movant enjoys statutory presumption of irreparable harm upon a finding of infringement.
Is payment of a security/deposit necessary to secure an injunction?	Security is required by rule to perfect a preliminary injunction, but the amount is discretionary. Security is not needed for a permanent injunction.
What border measures are available to back up injunctions?	Registered trademarks can be recorded with US Customs and Border Protection, a federal agency that will seize, detain and ultimately destroy infringing and

counterfeit goods intended for entry into the United States.

INTRODUCTION

Litigation regarding trademark rights in the United States typically occurs in federal courts or at the Trademark Trial and Appeal Board (TTAB) of the US Patent and Trademark Office (USPTO). While the TTAB only has jurisdiction over disputes regarding federal registration, courts are authorised to address both registration and use in commerce. Meanwhile, pursuant to the 2020 Trademark Modernization Act, it is possible to petition the USPTO to re-examine existing registrations based on allegations of non-use. Recent decisions in all of these fora shed light on the scope of litigants' rights under the US Trademark Act (15 USC §§ 1051 et seq., colloquially known as the Lanham Act), which governs federal trademark rights in the United States. In addition, these tribunals have clarified some of the more obscure procedural niceties of which litigants should be aware before initiating proceedings.

GUIDANCE FROM US SUPREME COURT

Free Speech Rights Do Not Always Trump Trademark Rights

In the United States, trademark infringement defendants can assert that their use of another's trademark is protected as free speech under the First Amendment to the US Constitution. While not universally applicable, this defence often arises when a mark is used in an artistic work. In such cases, the defendant argues that its use was merely creative expression and not for commercial purposes.

The US Supreme Court recently made it more difficult for defendants to prevail on First Amendment grounds. In *Jack Daniel's Properties Inc v VIP Prods, Inc*, the Court unanimously rejected an appellate court's opinion that a dog toy mimicking a bottle of JACK DANIEL'S-branded whiskey should be protected as a parody under the First Amendment, finding that the right to free expression does not excuse "trademark law's cardinal sin" – that is, the use of another's trademark "as a trademark".

At issue was application of the so-called Rogers test, which evolved out of the 1989 decision in *Rogers v Grimaldi*. Unlike the traditional multi-factor test for likely confusion, the Rogers test weighs just two factors: (1) the accused work's artistic relevance; and (2) whether use of the other party's mark "explicitly misleads as to the source or the content of the work".

The Court held that Rogers does not apply "when an alleged infringer uses a trademark in the way the Lanham Act most cares about: as a designation of source for the infringer's own goods". It returned the case to the district court to evaluate infringement under the proper standard.

After *Jack Daniel's*, lower courts are less likely to apply the Rogers test, so limiting the First Amendment defence.

US Trademark Law Does Not Govern Infringement Occurring Abroad

The US Supreme Court has restricted application of the Lanham Act to cases involving infringing activity occurring within the United States. Previously, lower courts had interpreted the statute as authorising injunctive relief and damage awards related to any activity that had a 'substantial effect' on US commerce, even if that activity had occurred entirely abroad.

This issue arose in *Abitron Austria GmbH et al v Hetronic Int'l, Inc*, after the US-based manufacturer Hetronic sued its former EU distributor for infringing trademarks and trade dress associated with authentic Hetronic products. Even though 97% of Abitron's sales occurred outside the United States, a jury awarded Hetronic more than \$115 million in damages, \$96 million of which related to Lanham Act violations mostly arising from non-US sales, and the district court granted Hetronic a worldwide injunction against Abitron. On appeal, the appellate court tailored the injunction to apply only to markets where Hetronic was actually selling products but upheld the damages award, reasoning that even activity occurring abroad had a 'substantial effect' on US commerce.

At oral argument, the parties presented various interpretations of the Supreme Court's 1952 decision in *Steele v Bulova Watch Co*, the original pronouncement on the Lanham Act's "sweeping reach" into other geographic territories. The Court's majority opinion ultimately sidestepped *Steele* altogether, relying instead on a "longstanding principle of American law" referred to as the "presumption against extraterritoriality". The Court found that the Lanham Act was not meant to be applied extraterritorially and could only properly be applied to govern infringing activity that occurred through use of a mark in commerce in the United States. Future cases will map out what specific types of use in commerce are actionable under the statute.

In the wake of *Abitron*, US-based litigants can no longer rely on US trademark rights to obtain relief against foreign defendants unless those defendants are using infringing marks in the United States. Because trademark owners will be forced to take a piecemeal approach to enforcement, jurisdiction by jurisdiction, they should evaluate and ensure that they have proper protection in all relevant jurisdictions worldwide.

GUIDANCE FROM LOWER COURTS

Trademarks For Physical Goods Sufficient To Enforce In Virtual Environments

A battle over unauthorised use of the BIRKIN trademark and trade dress in the design of Hermès International's famed BIRKIN handbag has garnered attention as one of the first cases to address the application of US trademark law in digital environments. Hermès, asserting registrations associated with its physical handbags, was able to obtain more than \$130,000 in damages and a permanent injunction against the artist Mason Rothschild to stop him from selling digital images of 'Metabirkins' authenticated by non-fungible tokens (NFTs).

Rothschild argued that his 'Metabirkins' should be protected as artistic expression under the First Amendment of the US Constitution. As such, Rothschild asserted that the court should apply the *Rogers* test rather than the traditional, more stringent likelihood of confusion factors applicable in most infringement cases.

The district court agreed, but even under *Rogers*, a jury found Rothschild liable for trademark infringement, dilution and cybersquatting. Rothschild is appealing, although he himself has admitted that the distinction between real-life goods and virtual versions is "getting a little bit blurred now because we have this new outlet, which is the metaverse, to showcase . . . them in our virtual worlds, and even just show them online". In other words, consumers recognise that many big-name brands are entering the virtual goods market, so in many cases brand owners may be able to rely on their rights vis-à-vis physical goods to prove confusion with virtual counterparts.

Opposer Has Burden To Refute Conceptual Weakness Defence

The Federal Circuit has decided that in TTAB proceedings where the strength of an opposer's mark is in question based on third-party marks cited by the applicant/defendant, the opposer – not the applicant that raised the issue – has the burden of proving those third-party marks are not actually in use.

The applicant in *Spireon, Inc v Flex Ltd* sought to defend against an opposition to registration of the mark FL FLEX by arguing that the opposer's cited marks FLEX, FLEX & Design, and FLEX PULSE were conceptually weak based on 30 third-party registrations and applications for other FLEX-formative marks. The applicant relied on Federal Circuit precedent establishing that "extensive evidence of third-party use and registrations is 'powerful on its face'" to show that consumers have been accustomed to distinguishing between marks containing a common element. In the face of such third-party evidence, an opposer's mark can be considered conceptually weak and thus not entitled to a wide swath of protection. However, the cited third-party marks must be in use to support a finding that consumers actually encounter them in the marketplace.

The Federal Circuit held that once the applicant introduced evidence of third-party registrations to demonstrate weakness, it was the opposer's burden to show non-use of those marks. The court declined to address "the broader question of which party bears the burden of establishing non-use as a general matter". However, the decision provides clear guidance on the burden of proof regarding the so-called "crowded field" defence in opposition and cancellation proceedings before the TTAB.

Importance Of The 'Domestic Representative' Field In US Trademark Applications

The USPTO provides non-US domiciled trademark applicants with an easy to overlook option to designate a 'Domestic Representative', as pictured below:

Figure 1

Trademark/Service Mark Application, Principal Register

TEAS Plus Application (Version 8.1)

Tip: If you do not want to appoint an attorney at this time:

1. Return to the first page of this form by clicking on the hyperlinked term, "Instruction," in the Navigation History at the top of this page;
2. Answer "No" to the wizard question asking "Is an attorney filing this application?";
3. Click on the Continue button at the bottom of the Instruction page to resume the form. The Attorney Information page will not appear.

Check here to designate a Domestic Representative. This is applicable only to foreign-domiciled applicant owners/holders with an address outside the United States, and is optional. Once checked, a separate section of the form will appear to enter the Domestic Representative information.

Attorney Information	
* <u>Attorney Name</u>	<input style="width: 100%;" type="text"/>
<u>Individual Attorney Docket/Reference Number</u>	<input style="width: 100%;" type="text"/> <small>NOTE: You must limit your entry here to no more than 12 characters.</small>
	* Year of Admission <input type="text" value="Select Year"/> ▼
	* U.S. State/Commonwealth/Territory <input type="text" value="Select State"/> ▼

Source: USPTO

The form does not explain that, pursuant to 15 USC § 1051(e), the Domestic Representative is the appointed recipient of “notices or process in proceedings affecting the mark”, including service of process in a federal lawsuit. If no such representative is appointed, papers can be served on the applicant by serving the Director of the USPTO, who will then send the papers to the applicant’s address of record. In that case, the applicant might find itself party to litigation without actually having been personally served, as typically required under federal procedural rules.

This scenario played out in *San Antonio Winery, Inc v Jianxing Micarose Trade Co* with severe consequences. The court held that 15 USC § 1051(e) applied to service of process in court proceedings as well as USPTO proceedings, and thus the Director’s mailing of the complaint constituted sufficient service – even if the applicant did not have actual notice of the proceeding. The court further held that the statute does not conflict with the Hague Service Convention because the papers were served domestically and not in another country. Following the decision, the district court entered default against the applicant and a permanent injunction.

The same rule applied in *Equibal, Inc v 365 Sun LLC*, where a foreign applicant had designated US attorneys as counsel in connection with its application, but had not checked the box to formally appoint them as Domestic Representatives for the purpose of service. When the attorneys said they were not authorised to accept service of court papers, the plaintiff served the Director of the USPTO. The court found that such service did not conflict with either the Hague Convention or the Inter-American Convention, further illustrating the importance of the 'Domestic Representative' field in US trademark applications.

GUIDANCE FROM THE TTAB

Importance Of ESTTA Cover Sheets In Oppositions To Madrid Protocol Applications

In *Sterling Computers Corp v IBM Corp*, IBM sought to extend its French registrations of STERLING and IBM STERLING to the United States pursuant to the Madrid Protocol. Sterling opposed based on the likelihood of confusion with prior-used marks. Its notice of opposition cited pending use-based applications for STERLING and STERLING & Design, common law rights in those marks, and common law rights in STERLING COMPUTERS. However, when completing the cover sheet form for filing through the TTAB's Electronic System for Trademark Trials and Appeals (ESTTA), Sterling listed common law rights in STERLING COMPUTERS and the two applications, but not its common law rights in the two applied-for marks.

ESTTA cover sheets include fillable boxes for the identification of the applications, registrations and common law rights asserted. Although many opposers view the form as a ministerial formality, Sterling highlights the fact that an ESTTA cover sheet plays a very important role in Madrid Protocol proceedings. When a US opposition is reported to the International Bureau, it is the ESTTA cover sheet that is sent to the Bureau, not the underlying notice of opposition. Because the Madrid Protocol prohibits the amendment of an opposition to include rights or claims not asserted in the original filing, an opposer's claims are limited to those found on the first-filed ESTTA cover sheet.

After the TTAB allowed Sterling to file an amended pleading to clarify its original allegations, IBM argued that Sterling should not be allowed to include its common law rights in STERLING and STERLING & Design in its amended pleading, because those rights were not expressly listed on Sterling's original cover sheet. But the Board concluded that listing use-based applications (as opposed to intent-to-use applications) for the marks in question provided sufficient notice of reliance on the common law rights underlying those applications. In other cases, however, litigants may not be as fortunate. Therefore, it is important to pay close attention to both the substance of a notice of opposition as well as the ESTTA cover sheet in Madrid Protocol proceedings.

Failure To Launch Affirmative Attack On Cited Registrations May Result In Waiver Of Key Defences

A defendant in a TTAB proceeding cannot defend itself based on alleged defects in an asserted application or registration without affirmatively opposing the application or seeking to cancel the registration. The applicant in *Nkanginieme v Appleton* learnt this the hard way. The owner of a registration for NNENNA LOVETTE for "Product design and development in the field of . . . handbags" challenged an application to register LOVETTE for handbags. The opposer had waited to file its application for NNENNA LOVETTE until five months after the opposed application was filed, and just two weeks prior to initiating the opposition

proceeding. The application matured to registration 14 months later, while the proceeding was pending.

The applicant argued that it had priority over the registrant based on its prior use and filing date, but the Board disagreed. The Board took the language of Section 2(d) of the Lanham Act at face value, concluding that where “a mark registered in the Patent and Trademark Office” is asserted in support of an opposition, there is no issue as to priority. If the applicant had wanted to challenge priority, it should have either opposed the NNENNA LOVETTE application or counterclaimed for cancellation. The Board held further that an applicant could avoid admitting likely confusion by alleging that:

there is no likelihood of confusion between the marks such that the opposition should be dismissed, or that if there is a likelihood of confusion that Applicant has actual priority and so Opposer’s registration must fail.

In other words, a defendant can attack an asserted registration without conceding confusion. Failure to do so may waive questions of priority.

Pan American Convention Supports Cancellation Based On Rights Obtained Abroad

Parties domiciled in the contracting countries of the 1929 Pan American Convention (Convention) – Columbia, Cuba, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Peru and the United States – have a unique remedy available to them. Mark owners can challenge registration in one country based on prior rights in another of those countries.

The TTAB’s decision in *Empresa Cubana v General Cigar Co* highlights this unique procedure. In this case, Cubatabaco successfully cancelled General Cigar’s two registrations of COHIBA in the United States based on Article 8 of the Convention. Article 8 applies in cases where an application to register a mark in a contracting country is refused on the basis of a prior registration in that country. The applicant may seek to cancel the blocking registration using a prior registration obtained in another contracting country if either: (1) the owner of the blocking registration had knowledge of the petitioner’s prior use or registration in another contracting country; or (2) the petitioner has used its mark in the country in which it seeks cancellation.

Cubatabaco had previously registered its COHIBA mark in Cuba. The USPTO refused its applications based on General Cigar’s existing US registrations. But Cubatabaco prevailed on a petition to cancel General Cigar’s blocking registrations. It demonstrated, through General Cigar’s own records, that General Cigar was aware of Cubatabaco’s mark prior to filing its first application to register COHIBA in the United States and presented evidence from which that knowledge could be inferred. General Cigar has appealed. Nonetheless, the *Empresa Cubana* case serves as an important reminder of remedies available to trademark owners in contracting Convention countries.

Best Practices In Expungement And Re-examination Proceedings

The Trademark Modernization Act of 2020 created two new procedures to challenge existing trademark registrations based on non-use: expungement (15 USC § 1066a) and re-examination (15 USC § 1066b). By the end of 2023, almost 2,000 petitions to revisit ex parte examination of registered marks had been filed, but fewer than 5% resulted in either partial or complete cancellation. Each petition is reviewed prior to a proceeding being

instituted, and many petitions are rejected as inadequate. While certain deficiencies might be curable, final rejections are not appealable.

To avoid rejection, petitioners should first ensure that they meet the relevant timing standards. Expungement petitions may be filed against registrations based on use, non-US registrations or the Madrid Protocol. They must be filed between the third and 10th years of registration if a mark is alleged to have never been used in interstate commerce.^[1] Meanwhile, re-examination petitions may be filed up to five years after registration if a mark was not used as of the filing date of a use-based application or, in the case of an intent-to-use application, as of the date an amendment to allege use was filed or the end of the period in which a statement of use was filed.

Petitions must be supported by a verified statement outlining the nature and scope of petitioner's search – either by petitioner or a third-party investigator – for use of the specific mark for the identified goods or services during the relevant period. Because such investigations must be tailored to the sales channels for the goods or services at issue, petitions have been rejected when based solely on searches of only one search engine, or investigations of just the largest online sales platforms.

The verified statement should be supplemented with clear, legible evidence of non-use. Potential sources of probative evidence are set forth in 37 CFR § 2.91(d)(2). These include but are not limited to trademark records, website printouts, filings from regulatory agencies, prior litigation filings, falsified specimens and/or other evidence of the registrant's activities (or lack thereof) in the marketplace. Each practitioner has a duty of candour (37 CFR § 11.303(d)) that requires the disclosure of evidence undercutting a petition.

Following these best practices will reduce the likelihood of rejection by the USPTO and increase the chances of a successful petition for expungement or re-examination.

Endnotes

- 1 Until 27 December 2023, the 10th-year limitation does not apply, and expungement may be requested for any registration at least three years old. [^ Back to section](#)



Lauren Gregory Leipold
Kenneth L. Wilton

lleipold@seyfarth.com
kwilton@seyfarth.com

233 South Wacker Drive, Suite 8000, Chicago IL 60606-6448, United States

Tel: +1 312 460 5000

<https://www.seyfarth.com/>

[Read more from this firm on WTR](#)

Specialist Chapter: Key Cases Spotlight Challenges of Litigating Pharmaceutical Trademarks in Germany

Alexander Thünken

Uexküll & Stolberg

Summary

IN SUMMARY

DISCUSSION POINTS

REFERENCED IN THIS ARTICLE

THE BASIS FOR LITIGATING PHARMACEUTICAL TRADEMARKS: A VALID REGISTRATION

SCOPE OF PROTECTION

MAINTENANCE OF PHARMACEUTICAL TRADEMARKS: JUSTIFICATION FOR NON-USE

OBJECTING TO REGISTRATION OF INFRINGING PHARMACEUTICAL TRADEMARKS

LIKELIHOOD OF CONFUSION

OBJECTING USE OF INFRINGING SIGNS IN THE PHARMACEUTICAL SECTOR AND CHOICE OF VENUE

PRELIMINARY INJUNCTION PROCEEDINGS

MAIN COURT ACTIONS

AVAILABLE REMEDIES

EXHAUSTION: PARALLEL IMPORTS

COMBATING PRODUCT PIRACY

IN SUMMARY

Pharmaceuticals play a decisive role in society. They enhance our quality of life. Pharmaceutical trademarks are important tools for product differentiation and convey messages of product quality. This article considers the key issues around litigating pharmaceutical trademarks in Germany, including creating a valid registration, the scope of protection, justifications for non-use of trademarks and objections to registration of infringing marks.

DISCUSSION POINTS

- The basis for litigating pharmaceutical trademarks: a valid registration
 - Scope and maintenance of protection of pharmaceutical trademarks
 - Objecting to registration of infringing pharmaceutical trademarks
 - Likelihood of confusion
 - Objecting use of infringing signs in the pharmaceutical sector and choice of venue
 - Preliminary injunction proceedings and main court actions
 - Available remedies
 - Exhaustion: parallel imports
 - Combating product piracy
-

REFERENCED IN THIS ARTICLE

- *Injekt/Injex*
 - *Immunine/Imukin*
 - *CJEU, file no. C-668/17*
 - *Travatan/Trivastan*
-

THE BASIS FOR LITIGATING PHARMACEUTICAL TRADEMARKS: A VALID REGISTRATION

The conditions for registering a pharmaceutical trademark generally follow the usual criteria, including non-descriptiveness and distinctiveness. In the field of pharmaceutical trademarks, international non-proprietary names (INNs) also play a relevant role. INNs are assigned to pharmaceutical substances by the World Health Organisation so that each substance can be recognised by a unique name. INNs are needed for identification and prescription purposes and can therefore not be monopolised. They can thus be used freely as they are in the public domain. There is an absolute ground for refusal where the sign applied for is an INN or where it appears within a sign next to other arguably descriptive or non-distinctive components.

German practice has traditionally been quite restrictive, meaning that the German Patent and Trademark Office and the Federal Patent Court are rather reluctant to allow for the registration of a trademark if the underlying sign is based on a descriptive term, even if it substantially differs from it. The Federal Patent Court is rather strict when it comes to

assessing the registrability of designations seeking protection for class 5 goods. Recent examples include:

- 'Naturesanft' ('nature soft'; Federal Patent Court, April 17, 2023, file no.: 26 W (pat) 527/22), where the term merely describes the condition and impact of the goods to be registered;
- 'SoulBites' (Federal Patent Court, March 23, 2023, file no.: 30 W (pat) 528/22); and
- 'bio-apo' (Federal Patent Court, December 14, 2022, file no.: 25 W (pat) 58/21), 'apo' here being understood as an abbreviation of 'Apotheke,' which is the German word for pharmacy.

If there are doubts as to whether the office would allow for the registration of a certain designation, it may be recommendable to add a sufficiently distinctive figurative or word component.

SCOPE OF PROTECTION

Nevertheless, pharmaceutical trademarks with a relatively low level of distinctiveness have still proved efficient tools by which to oppose similar applications. In its judgment of 6 February 2020 (file no.: I ZB 21/19 – Injekt/Injex), the German Federal Supreme Court held that when examining the similarity of signs, descriptive elements cannot be excluded from the outset. However, they must be taken into account when examining the overall impression of the conflicting signs. In the case of Injekt/Injex, it was not only the final consonants 'KT' and 'X' that were to be considered as the decisive elements. With this judgment, the Federal Supreme Court may have strengthened weak trademarks.

MAINTENANCE OF PHARMACEUTICAL TRADEMARKS: JUSTIFICATION FOR NON-USE

In its judgment of 3 July 2019 in case C-668/17 P, the ECJ held that a clinical study carried out in order to prepare an application to authorise a new medicinal product cannot be used to justify the non-use of a trademark. A clinical trial may be a legitimate reason for non-use of a trademark only where the use is impossible or unreasonable. This obstacle must be independent of the will of the trademark owner. However, it must be noted that the application for conducting the clinical trial was filed more than three years after registration of the trademark at issue. Hence, clinical trials still can constitute a justification for non-use (see German Federal Supreme Court in Immunine/Imukin) in other factual constellations. Yet the trademark owner must always substantiate and prove that there was no delay in furthering the admission procedure.

OBJECTING TO REGISTRATION OF INFRINGING PHARMACEUTICAL TRADEMARKS

Cancellation of a registered trademark is usually sought by filing an opposition within the relevant opposition deadline. Since 2020, invalidity proceedings based on prior rights have also become available before the German Patent and Trademark Office. This is particularly relevant when the opposition deadline has already passed. Before 2020, a cancellation action based on prior rights had to be initiated before the civil courts. The new invalidity proceedings are more cost efficient, but they tend to last longer.

LIKELIHOOD OF CONFUSION

In opposition, invalidity or infringement proceedings, the most relevant issue is often the likelihood of confusion. In this context, the following aspects play an important role.

The Relevant Public And Its Level Of Attention

As in many countries, the relevant public comprises both the public at large and health professionals such as physicians or pharmacists. The common denominator of all cases in this field is that the level of attention is at least average, or even higher than average, since pharmaceuticals are considered important products due to their impact on health. An average level of attentiveness can only be stated in cases of over-the-counter products where the consumer does not pay too much attention to the brand at issue. All in all, the principal reasoning established by the CJEU in the Travatan/Trivastan case (C-412/05) still applies.

Similarity Of Goods And Services

Finding a similarity between goods that are all classified in class 5 is sometimes not as easy as it would seem. Pharmaceuticals with different purposes of treatment can be held to be dissimilar, for example. On the other hand, pharmaceuticals (eg, specific ointments) and cosmetic products will be likely considered similar to each other due to the fact that they are complementary. In addition, cosmetic products can – under certain circumstances – have a medical purpose.

The aspect of complementarity was discussed in a decision issued by the Fifth Board of Appeal on 2 June 2023 (file No.: R 2071/2022-5). Here it was held that goods are complementary if there is a close connection between them in the sense that one good is indispensable or important for the use of the other, so that consumers (ie, patients) might think that responsibility for producing them lies with the same undertaking. Therefore, in assessing whether goods are complementary, the relevant public's perception of the importance of a particular good or service for the use of another good or service must ultimately be considered. Yet it was also held that since the specific arrangements for marketing the goods or services in question may vary over time and according to the wishes of the trademark owners, they could not be considered in a future analysis of the likelihood of confusion. It can be assumed that this reasoning only applies to matters of opposition or cancellation, as the specific arrangements for marketing of goods are often important in the context of assessing the similarity of goods when it comes to infringement.

Nevertheless, there is no strict legal rule that can be generalised. One issue that has become important in practice is the similarity between pharmaceutical products and medical services in class 44. This is because pharmaceuticals are regularly administered when medical services are provided. This somewhat broadens the scope of protection for pharmaceutical trademarks.

Finally, the broader scope of protection for pharmaceutical trademarks becomes even more apparent when offices or courts are dealing with the question of similarity between retail or wholesale services in the fields of pharmacy, medicine and health on the one hand, and pharmaceutical preparations on the other. The Federal Supreme Court stated some time ago that it is sufficient for the assumption of similarity if the services relate to the corresponding goods and the target public assumes on the basis of this relationship that the goods and services originate from the same companies. This could even be assumed for the relationship between goods and their related retail services if large trading houses in the relevant goods sector also offer goods with their own trademarks in addition to the sale of third-party goods. These conditions can be met in cases like the one described before (see Federal Patent Court, decision 29 W (pat) 37/17, 11 March 2020).

OBJECTING USE OF INFRINGING SIGNS IN THE PHARMACEUTICAL SECTOR AND CHOICE OF VENUE

After a trademark owner has successfully fought the registration of a trademark, the owner of the challenged trademark will nevertheless commence or continue to use it. In case a trademark owner then wishes to also object to the use of the infringing sign, the first step is a cease and desist letter, containing a request for discontinuation of use, assertion of claims for information as to source and generated turnover, compensation of damages and the reimbursement of attorney's fees. If the infringer does not follow this request, the trademark owner must first decide in which court to bring an infringement action. In trademark matters, the district courts are competent and many of them are the right venue where the claim is based on a German trademark. Somewhat fewer district courts are competent where the claim is based on an EU trademark (Düsseldorf is the EU Trademark Court in North-Rhine Westphalia, for example, but not Cologne, where, on the other hand, infringement actions based on German trademarks can be brought). In most cases, the infringing product is available all over Germany, meaning that the court action can be brought before any district court.

PRELIMINARY INJUNCTION PROCEEDINGS

Whether to choose the Munich, Düsseldorf, Berlin, Braunschweig, Mannheim or Hamburg District Court largely depends on how much time has passed since the trademark owner first had knowledge of the infringing act. Some courts (eg, Munich and Cologne) do not consider there to be the required urgency in preliminary injunction matters if the claimant has had knowledge for more than one month. Other district courts (eg, Düsseldorf and Hamburg) are more generous and allow for urgency even if up to six or even eight weeks have passed. Such tactical considerations can be very important for building the right strategy.

MAIN COURT ACTIONS

If preliminary injunction proceedings are not an option, a main court action can be initiated. The main difference from preliminary injunction proceedings is that all facts that are contested by the defendant must be proven and not just made credible. The time frame is also considerably longer.

AVAILABLE REMEDIES

Alongside the traditional claim to cease and desist from using an infringing sign, the German Federal Supreme Court has, in the last few years, confirmed the obligation of the infringer to recall the objected products as part of that claim. The 'recall' claim can cause considerable detriment to the infringer, making it an effective weapon, especially if the parties enter into negotiations.

EXHAUSTION: PARALLEL IMPORTS

In the field of pharmaceutical products, a company will often import an original medicine from another EU or EEA member state into Germany and then place it on the market next to the higher priced original. The parallel importer benefits from the price differences in the pharmaceutical market. In many cases, the imported pharmaceuticals are also given new packaging. A large number of complex cases could be referred to here.

In 2019, the so-called Falsified Medicines Directive came into force. There exists a tension between the rights of the trademark owner and the requirements for the free movement of

goods in the EU internal market. With the arrival of the Falsified Medicines Directive, the safety of medicinal products comes into play. According to the directive, all prescription medicines must be provided with a product code that makes each product uniquely identifiable, and an anti-tampering device (ATD). Using the product code, the whereabouts of each individual drug can be tracked within the entire logistics chain.

The CJEU has issued landmark judgments that serve as clarification in particular with regard to the differentiation between reboxing and relabelling in view of the new anti-falsification rules (see Cases C 224/20, C 253/20 and C 254/20). The judgments have as their object under which circumstances the Falsified Medicines Directive permits parallel importers to completely repackage medicines. According to the CJEU, articles 9(2) and 15 of Regulation 2017/1001 and articles 10(2) and 15 of Directive 2015/2436, read in conjunction with articles 34 and 36 of the TFEU, must be interpreted as meaning that the proprietor of a trademark is entitled to oppose the marketing, by a parallel importer, of a medicine repackaged in new outer packaging to which that trademark is affixed where the replacement of the anti-tampering device of the original outer packaging carried out in accordance with article 47a(1) of Directive 2001/83 would leave visible or tangible traces of that original outer packaging having been opened, provided that:

- there is no doubt that those traces of opening are attributable to the repackaging of that medicinal product by that parallel importer; and
- those traces do not cause, in the market of the member state of importation or in a substantial part of it, such strong resistance from consumers to the repackaging that it would constitute a barrier to effective access to that market.

When repackaging medicinal products, the original packaging must therefore be reused as a matter of priority, even if an ATD leaves visible, palpable traces of opening after it has been repackaged. The CJEU found that the owner of a trademark can oppose a parallel import “where that product has been repackaged in new outer packaging to which the trademark of the reference medicinal product has been affixed”. It is said that these judgments favour the owners of pharmaceutical trademarks, even if they leave room for argumentation in individual cases. As a result, a trademark owner can principally oppose the repackaging by a parallel importer of an original product in new external packaging (known as ‘reboxing’) where the parallel importer is able to create packaging which may be marketed in the member state of importation simply by affixing new adhesive labels to the original secondary packaging (ie, ‘relabelling’).

COMBATING PRODUCT PIRACY

Counterfeiting in the field of medicinal products is a threat to public health and causes economic and social damage. Useful measures against parallel imports are to apply for custom seizures according to EU Regulation 608/2013. If parallel imported products are detained, the trademark owner is required to initiate legal proceedings against the alleged infringer. The procedure is simple and favours the trademark owner. In case of detention, the shipment is seized and will not be put on the market if the trademark owner confirms that the seized pharmaceuticals are counterfeit. If the purchaser does not object, then the seized goods will be destroyed without further need for action from the trademark owner. This is the so-called simplified procedure. However, if the recipient files an objection against the seizure, a trademark infringement action must be initiated with the civil courts. As wilful trademark infringement is punishable under German criminal law, trademark owners

can file – in parallel – a criminal complaint. Experience shows that criminal action is not as efficient as civil action, however, simply because the somewhat understaffed public prosecution authorities are often unable to have a clear focus on criminal complaints relating to trademark infringements.

UEXKÜLL & STOLBERG
INTELLECTUAL PROPERTY

Alexander Thünken

thuenken@uex.de

<https://uex.de/>

[Read more from this firm on WTR](#)

Germany: Audi Finds Success and Tech Applications on the Rise amid Case Law Updates on the Scope of Preliminary Injunctions

Mathias Zintler, Florian Stoll and Nikolaus Schmidt-Hamkens

KNPZ Rechtsanwälte

Summary

IN SUMMARY

DISCUSSION POINTS

REFERENCED IN THIS ARTICLE

INJUNCTIONS AT GLANCE

ARE EX PARTE PRELIMINARY INJUNCTIONS STILL POSSIBLE IN GERMANY?

FORUM SHOPPING

RECALL VIA PRELIMINARY INJUNCTIONS

EMERGING TRENDS

RECENT POLICY UPDATES

DAMAGES AND HOW THEY ARE CALCULATED

MAJOR RECENT CASE OUTCOMES

IN SUMMARY

This article focuses on the latest developments in German trademark law and provides an overview on obtaining preliminary injunctions in Germany.

DISCUSSION POINTS

- Latest case law developments on preliminary injunctions and scope of injunctions
- Coverage of new technologies in German trademark filings
- New case law concerning trademarks in the automotive sector

REFERENCED IN THIS ARTICLE

- Law on Amendments of German Trademark Law of 1 May 2020
- Decision of Federal Court of Justice on burden of proof in cancellation procedures of 14 January 2021, I ZR 40/20
- S 6 v S 8, Decision of Munich Regional Court of 19 January 2023; 1 HK O 13543/21

INJUNCTIONS AT GLANCE

Preliminary injunctions – are they available, how can they be obtained?	Preliminary injunctions are available. The rights holder needs to file a written application with a competent German civil court within a short period of time after becoming aware of the relevant infringement. The court can reject the application, order an oral hearing or grant the injunction without oral hearing, ex parte.
Permanent injunctions – are they available, how can they be obtained?	Permanent injunctions are available. The rights holder needs to file a written application with a competent German civil court. The court will usually ask the defendant to file a defense writ. Afterwards the court will usually order an oral hearing.
Is payment of a security/deposit necessary to secure an injunction?	Generally not. Only under rare circumstances may the competent court ask the right holder to pay a security deposit for the enforcement of the injunction (not its grant). Additionally, and also only under rare circumstances, a court can grant an injunction even if it is not convinced of the infringement at first glance if the alleged right holder pays a security deposit.
What border measures are available to back up injunctions?	Border measures for imports of trademark infringing products from non - EU countries

are available after the confirmation of an infringement via a German court case.

ARE EX PARTE PRELIMINARY INJUNCTIONS STILL POSSIBLE IN GERMANY?

Before 2018, preliminary injunctions on an ex parte basis were the rule and not the exception in Germany. They were often used tactically in trademark litigation to reach a settlement. In its decisions of 2018 and 2020, the German Constitutional Court put an end to this practice, declaring ex parte preliminary injunctions to be unconstitutional. In most cases it required that the defendant be heard based on the procedural right of equality of arms.

However, even after this paradigm shift, ex parte injunction is still possible in a limited number of cases. These include:

- sequestration cases (eg, piracy), since the warned defendant would otherwise dispose of the objects to be seized; and
- cases where the hearing of the defendant would delay the issuance of the preliminary injunction in a way that would prevent a timely prohibition, for example if an appearance at a trade fair is imminent.

In cases where neither of these exceptions apply, the defendant will need to be heard, either in a court hearing or, in cases of great urgency, through submitted written comments.

However, there is one further exception that almost permits a continuation of the old practice. This is if the defendant has received a cease and desist letter coinciding with the claim that is at the base of the preliminary injunction process, and the defendant's answer to this letter is submitted to the court by the plaintiff. In this case, the court may continue on an ex parte basis.

With this in mind, clients should consider from the very beginning of a potential infringement matter the strategic advantages of an ex parte injunction, among other possible enforcement options. Likewise, clients should be prepared with a defensive strategy that includes the option to pro-actively submit a so-called protective writ against ex parte preliminary injunctions in case of an anticipated dispute. However, an unwisely filed protective writ may easily backfire. The court may issue an ex parte injunction despite the arguments brought forward in the protective writ. In doing so it may indicate to the plaintiff that they have a particularly strong position and therefore little to fear in fully enforcing their rights. As a consequence, the defendant may expect an uphill battle at the appellate level with only a remote chance of reversing the decision.

FORUM SHOPPING

There are many reasons why one would want to choose where to initiate proceedings. Some countries may be more trademark owner-friendly or may tend to make decisions coinciding with what the applicants seek to achieve. Other countries may favour the trademark owners of specific industries (eg, automotive vs spare part producers). However, German courts are generally known for their speediness and well-reasoned decisions, and the relatively low court and attorney fees involved. For a multi-jurisdictional dispute, it may also be strategically advantageous to get a decision in a major EU market first in order to increase the leverage for settlement discussions. Here again, a clever use of the ex parte preliminary injunction system within Germany may allow one to get ahead of respective disputes in other countries. Within Germany itself, one must consider which court to address. In particular, the so-called

urgency requirement for preliminary injunctions may significantly differ from one court to another.

For German courts to have international jurisdiction in trademark infringement cases, there needs to be a commercial effect in Germany. In order for the commercial effect to be fulfilled, the German Federal Court requires that the infringing acts be clearly aimed at the German public or the German market. This could be expressed, among other ways, by an offer in the German language, by the provision of German contact details or by the acceptance of German currency. Some lower courts have deviated from this case law, however. They state that the mere fact that the infringing promoted product was delivered to Germany after a test purchase was sufficient to assume a relevant 'commercial effect' for an international jurisdiction of German courts and a trademark infringement in Germany. It will be interesting to follow the case law trend in this regard.

If a client wishes to know whether it might be suitable and/or admissible to file an injunction lawsuit in Germany we can give guidelines on the chances of German courts to assume their jurisdiction and which court in Germany might be the most beneficial for the intentions of the IP holder.

RECALL VIA PRELIMINARY INJUNCTIONS

Is it possible to ask for a recall via preliminary injunctions in Germany? The short answer is: technically, no; however in practice, yes. Thus, there is a high risk that the recipient of a preliminary injunction is in a de facto recall situation. In 2017 the Federal Court of Justice established that the cease and desist obligation is not limited to mere inaction but could also include a recall. A full recall of infringing goods cannot be requested in preliminary injunction procedures, however, as this would anticipate the decision on the merits. However, a subsequent decision by the Federal Court stated that something similar to a 'recall light' might also be included in a cease and desist decision at the level of a preliminary injunction. Therefore, and in general, the infringer may not only have to remain inactive after receiving a cease and desist title in preliminary injunction cases but also have to take some action regarding their distribution network. More specifically, the infringer might be obliged to take any reasonable and appropriate measures necessary to prevent further acts of infringement for the time being. The infringer might therefore need to contact their distribution network, inform them about the preliminary injunction decision and ask them to stop the sale of the infringing products. Naturally, the distributor will invite the infringer to recall its products.

This case law signifies a high risk for the infringer in preliminary injunction infringement cases as their reputation might be tarnished substantially just by performing the recall light. But the IP holder also faces substantial risks should the cease and desist claim subsequently turn out to be unjustified.

As the recall light is – as per case law – already included in the cease and desist decision of a preliminary injunction, it is advisable for the IP holder to communicate both to the court before a decision is issued and to the infringer after the decision has been granted whether he wishes the infringer to actually perform the recall light. In some cases, where the IP holder wants to create as much leverage as possible and/or is entirely sure that the decision will also stand in appeal procedure or main proceedings, he might wish to proceed with the recall light. In other cases, where the validity of the decision might be questioned and/or the risk of damage is too overwhelming should the first instance preliminary decision be overturned, the IP holder might explicitly exclude the recall light from their claims.

IP holders should think about the possibility of a recall light in preliminary injunction procedures and look into ways to introduce this claim at a very early stage – that is, before sending a cease and desist letter. Potential infringers should be aware of the additional risks that may emanate from a recall light. These should be taken into account when there is room for an amicable settlement during a preliminary injunction case.

EMERGING TRENDS

Many companies are exploring technologies such as virtual and augmented reality, along with experiences through web3, blockchain and metaverse platforms. These technologies might also connect with physical items using near-field communication (NFC) technology. As a result, trademark applications in these areas are becoming more important. Because trademark offices (including the German Patent and Trademark Office) offer somewhat conflicting guidance and there is limited court precedent, the best practices for filing applications are still evolving.

Clients should carefully examine their specific use-cases in relation to new technologies. This will help determine appropriate goods and services in German trademark applications beyond the typical classes of 09 and 42. Doing so will provide stronger protection in this rapidly developing field.

RECENT POLICY UPDATES

Since 1 May 2020, in line with the requirements of EU law, it has become possible to initiate cancellation proceedings on the grounds of earlier rights or the non-use of a trademark before the German Patent and Trademark Office and not, as was previously the case, only by filing an action before a court. While an action before the court is still possible, the new administrative proceedings allow for a more cost-efficient alternative, since there are no court costs involved. The burden of proof has also changed. According to the Federal Court of Justice, implementing applicable EU law, the owner now bears the burden of proof for genuine use (Decision of 14 January 2021; I ZR 40/20). This applies to both cancellation proceedings before the German Patent and Trademark Office and court proceedings.

As to the question of which of the two proceedings to choose, it is recommended to do so strategically. This is particularly true with regard to costs, since in court proceedings – in contrast to administrative proceedings – the costs are typically imposed on the losing party. Thus, if one is relatively certain of success, cost pressure can be an argument in favour of court proceedings. If the prospects of success are unclear, however, office proceedings may be the more favourable alternative.

DAMAGES AND HOW THEY ARE CALCULATED

Under German law, the injured party may, at their choice, claim damages for IP rights via three different means. They may:

- calculate specifically the damages, including loss of profit;
- claim the infringer's unjust profit; or
- claim payment of a customary licence fee in similar cases.

Due to the problems of proof that typically accompany the first two methods, the third variant is typically chosen. If there are no specific indications of comparable licensing arrangements, this is performed by means of an estimate by the court.

In a recent decision, the Federal Court of Justice (Decision of 16 December 2021; I ZR 201/20) held that it is not possible for the injured party to claim a license fee following a trademark infringement if, based on their licensing practice, they always granted free licences to their licensees. This case shows that the calculation of damages in German law is highly dependent on the circumstances of the individual case. We would therefore recommend making full use of all possible potential for argumentation, and to research the facts and comparable cases in order to guide the court in the desired direction.

MAJOR RECENT CASE OUTCOMES

The German car manufacturer Audi has been successful in a trademark proceedings against the Chinese manufacturer Nio. The Munich Regional Court found that there is a risk of confusion between the trademarks 'S 6' and 'S 8' registered by Audi and 'es 6' and 'es 8' used by Nio for its cars (Decision of 19 January 2023; 1 HK O 13543/21). This results from a possible conceptual association by the public. The appearance of the company name 'Nio' in advertising would have to be disregarded in this respect in accordance with the ECJ Thomson Life doctrine. The challenged mark would recognisably be a motor vehicle type as it is customary in the automotive sector in the sense of secondary marks. Here, the additional letter 'e' would not sufficiently ensure distinctiveness. It had to be assumed that a considerable portion of the public would misunderstand the 'e' as an indication of the vehicle's engine type of the vehicle: the letter is commonly used as an abbreviation for electric or electronic. The expansion of e-mobility would be an important matter of interest in society. A motor vehicle that has an electric motor may not only be called an electric car, but also very often an 'e-car'. Hence there was a risk that consumers would assume that the 'es 6' was the 'S 6' in an electric version, and that the two vehicles were from the same manufacturer.

Clients should always run clearances designed specifically around their case (eg, knock-out searches, full similarity searches and/or country cluster searches) in order to identify potential risks in trademark searches at an early stage. This involves little cost and may avoid the risk of an expensive rebranding. This is even more relevant because the German market is a significant European market in which any companies generate a large part of their turnover in the EU.



Mathias Zintler
Florian Stoll
Nikolaus Schmidt-Hamkens

Zintler@knpz.de
stoll@knpz.de
schmidt-hamkens@knpz.de

Kaiser-Wilhelm-Straße 9, 20355 Hamburg, Germany

Tel: +49 (0)40 63 60 75 9-0

<https://www.knpz.de/>

[Read more from this firm on WTR](#)

Poland: Amends to Civil Procedure Code Act to have Serious Impact on Enforceability

Krystyna Szczepanowska-Kozłowska

A&O Shearman

Summary

[IN SUMMARY](#)

[DISCUSSION POINTS](#)

[REFERENCED IN THIS ARTICLE](#)

[5 KEY NEED TO KNOWS](#)

[WHAT'S NEW?](#)

[PRELIMINARY INJUNCTIONS](#)

[LATEST JURISDICTIONAL TRENDS](#)

[MAJOR CASE OUTCOMES](#)

[PRELIMINARY REFERENCES FROM THE POLISH COURTS TO THE EUROPEAN COURT OF JUSTICE](#)

IN SUMMARY

The article presents the essential features of court proceedings in cases of trademark infringement and the remedies available to rights holders. Attention is paid to interim injunctions and recent legislative changes. The article also outlines some of the most important judgments and issues with which Polish courts have recently dealt.

DISCUSSION POINTS

- Preliminary injunction in a snapshot
- New procedural rules are not favourable for IP owners
- Generous compensation rules
- Rules for parallel import of medicinal products are still unclear
- Specific statute of limitations on non-pecuniary claims
- Polish referrals to CJEU

REFERENCED IN THIS ARTICLE

- [Polish Supreme Court, Case No. II CSKP 457/22 \(6 May 2022\)](#)
- [Polish Supreme Court, Case No. III CZP 30/20 \(18 May 2021\)](#)
- Polish Supreme Court, Case No. No. II CSKP 104/22 (22 June 2022)
- Polish Supreme Court, Case No. II CSKP 457/22 (6 May 2022)
- [CJEU, Case No. C-355/21 \(13 October 2022\)](#)
- [CJEU, Case No. C-628/21 \(27 April 2023\)](#)
- [Warsaw Regional Court, Case No. C-334/22 \(22 February 2022\)](#)

5 KEY NEED TO KNOWS

Injunctions at a glance	
Preliminary injunctions – are they available, and how can they be obtained?	Preliminary injunctions can be obtained either before or in the course of trademark infringement proceedings. The applicant must demonstrate a high probability of infringement and the threat of non-recoverable losses should the injunction not be granted.
A preliminary injunction is issued for the duration of the trademark infringement proceedings. The court must rule promptly on the injunction request, within one week of receiving it. The injunction may be reversed or changed at any time by the court at the request of the obliged party if the reason for the injunction ceases to exist or changes.	Resale price maintenance; non-competes clauses in joint production agreements

Permanent injunctions – are they available, and how can they be obtained?	Only a final and binding judgment issued by the court can constitute a permanent injunction. A preliminary injunction is issued for the duration of the trademark infringement proceedings. However, it may be reversed or changed at any time by the court at the request of the obliged party if the reason for the injunction ceases to exist or changes.
Is payment of a security/deposit necessary to secure an injunction?	Although payment is not necessary by default, the court may decide otherwise, either on its own initiative or at the request of the obliged party.
What border measures are available to back up injunctions?	The right holder can submit an application to Customs to take action with respect to goods crossing EU borders that are suspected of infringing the applicant's trademark. This is based on EU Regulation 608/2013 (12 June 2013).

WHAT'S NEW?

The most significant policy updates in the past year concern the recent amendment to the Civil Procedure Code Act (17 November 1964), and in particular the regulations on preliminary injunctions in IP cases. These changes do not relate directly to trademark rights, but they have a serious impact on the enforceability of these rights as injunctions play a key role in IP litigation disputes. As of 1 July 2023, the following apply to proceedings on granting preliminary injunctions in IP cases:

- the former ex parte model has been changed to an inter partes model, with a hearing of the obliged party (potential infringer) by the court before issuing a preliminary injunction is now mandatory, with two exceptions to this rule:
 - the court will not be obliged to hear the obliged party if it considers that it is necessary to immediately decide on the injunction; and
 - the requested injunction is to be performed only by the bailiff, for example by seizing the goods;
- the right holder is required to inform the court in the injunction request whether proceedings for invalidation are or have been pending against his exclusive right, and the court deciding on the injunction should take into account the likelihood of invalidation of this right; and
- an injunction request must be submitted no later than six months from the moment of obtaining knowledge about the IP infringement. Otherwise, the request will be automatically dismissed by the court.

It is notable that since these changes have been made, trademark rights infringement cases have been settled in a dedicated procedure before specialist departments of the common courts. Five departments were created in the regional courts of Warsaw, Gdańsk, Katowice, Lublin and Poznań to act as first instance courts, and two departments were created in the

Courts of Appeal of Warsaw and Poznań to act as second instance courts. Cases with more complicated technical matters concerning computer programs, inventions, utility models, topographies of integrated circuits, plant varieties and technical trade secrets fall within the exclusive jurisdiction of the Regional Court of Warsaw.

Furthermore, the IP procedure provides for three types of discovery claims, which implement article 7 of the EU Directive 2004/48 (29 April 2004):

- securing the means of evidence – this refers to certain materials that would demonstrate the scope of the infringement and allow evidence to be produced in any future IP litigation. There is no obligation to specify in the request the facts that are meant to be proven;
- disclosure or issuing the means of evidence – in this case, the claimant must demonstrate that certain means of evidence, in particular banking, financial or commercial documents, are at the defendant's disposal; and
- request for information – the scope of information necessary to pursue an IP claim is limited to data on the origin and distribution networks of goods or services.

The aim of these claims is to discover the circumstances of the IP-related infringements and to secure certain materials that could later serve as evidence in the related infringement litigation.

An IP-specific claim exists that applies in infringement cases regarding trademarks and provides the possibility for a counterclaim based on the invalidation or expiry of the trademark right in civil proceedings. Before the establishment of IP courts, invalidity and expiry requests were reviewed only by the Polish Patent Office in administrative proceedings. Now there are two alternative ways to achieve this. To avoid re-examining the same case, the IP procedure regulations stipulate the conflict rules between the IP courts and the Polish Patent Office (including the obligatory suspension of civil proceedings). By this means, domestic regulations on invalidation or expiry of Polish trademark rights proceedings are now more similar to the regulations on EU trademark rights from the EU Regulation 2017/1001 (14 June 2017).

The establishment of special IP courts in Poland has brought many consequences for trademark rights holders seeking judicial protection. The most important is the concentration of all IP cases to just five regional courts. First, this restricts to a large extent the choice of courts where IP proceedings can be initiated. And second, it may also improve the unification of trademark rights case law: previously, cases were considered by 48 regional courts across the country. Therefore, we can expect more clarity in the judicial interpretation of trademarks rights regulations. This would to some extent make it easier for entrepreneurs to conduct business activity, as it would bring more certainty to the outcome of IP cases. Surprisingly, these changes have not yet resulted in a reduction in the time it takes to obtain a decision at first instance, as measured from the time of the initiation of proceedings. Nevertheless, introducing regulations designed to lead to greater specialism on the part of the courts in IP matters was certainly a good step towards bolstering the level of protection of IP rights holders.

PRELIMINARY INJUNCTIONS

Preliminary injunctions are available to both parties of trademark infringement proceedings. These take the form of securing the claims of each party or participant in the proceedings.

Since specific regulations on evidence are not fully applicable, the applicant need only demonstrate a high probability of infringement, which is a lighter requirement than the burden of proof. Additionally, the applicant must have a legal interest in granting a preliminary injunction, meaning that, without the injunction, the applicant would face a serious threat of non-recoverable losses, or that the enforcement of a judgment would be prevented or significantly hindered.

Nonetheless, the granted injunction cannot satisfy the claim. The applicant can instead request a preliminary injunction to secure a pecuniary claim or a non-pecuniary claim. A pecuniary claim can be secured by, in particular:

- seizure of movable property, remuneration for work, bank account receivables or other receivables or other property rights; or
- encumbrance of real estate with a compulsory mortgage.

In the case of securing non-pecuniary claims there is an open catalogue of available measures, since the court grants whatever injunction it considers appropriate in the circumstances. In disputes concerning the infringement of trademark rights, the defendant is usually prohibited from introducing to the market goods marked with the disputed trademark or conducting advertising activities. A ruling is also often made to seize the stored goods marked with the disputed trademarks, as well as to destroy or remove those marks.

As mentioned earlier, the recent amendment to the Civil Procedure Code Act on preliminary injunctions changed the model of injunction proceedings. Previously, proceedings were carried out *ex parte* so the defendant did not participate in proceedings until the decision to grant a preliminary injunction was served on them. However, there was a way to present the defendant's arguments to the court before the decision was granted. If the defendant learnt that a motion for a preliminary injunction was being submitted to the court, they could file a brief containing their arguments and this should be taken into account by the court. However, this method wasn't based on any applicable regulations and consequently it wasn't accepted by all courts.

Under the present rules, a preliminary injunction cannot be granted before a mandatory hearing of the obligated party (the potential infringer). This substantial change leads to an *inter partes* model of injunction proceedings. However, as mentioned above, there are two exceptions to the mandatory hearing rule: if the court considers it necessary to rule immediately, and if the injunction is to be performed by the bailiff (eg, by seizing property).

There is also a deadline for submitting an injunction request – up to six months from the moment of obtaining knowledge about the IP infringement. Overdue requests will be automatically dismissed. The applicant must also inform the court whether proceedings for invalidation are or have been pending against his exclusive right, and the court should consider the likelihood of invalidation.

The new regulations are certainly beneficial for the defendants as they provide more opportunities to defend against allegations of IP rights infringement. However, the probability of a preliminary injunction being granted is unquestionably lower than before. The surprise effect of an injunction, which has always had a significant role in IP rights enforcement, has been diminished.

If any party is not satisfied with a decision on granting the injunction, they can appeal to the court of second instance. If the injunction was granted by the court of appeal during appeal proceedings, the appeal will be decided by a panel of different judges from the same court. Previously, the injunction appeal was assigned by default to a different judicial panel from the same court that issued the injunction. This was seen as highly controversial and inefficient: doubts arose as to whether judges from the same court were willing to lift injunction decisions made by their colleagues. Fortunately, this regulation has recently been changed such that an appeal against the injunction decision is now assigned to the court of the second instance. This brings more confidence in a just appeal decision.

Once an injunction has been granted, the court may decide, on its own initiative or at the request of the obliged party, that its enforcement depends on the submission of the security or deposit by the entitled party. This typically happens in cases where it is likely that the obliged party will suffer significant damage as a result of the injunction and unlikely that the entitled party will be financially capable of remedying those damages in a potential compensation case.

LATEST JURISDICTIONAL TRENDS

Remedies In Civil Proceedings

The holder of a trademark right may request the infringing party to cease the infringement and claim a monetary amount corresponding to the unfairly obtained benefits. In the case of faulty infringement, following EU Directive 2004/48, the holder of a trademark right can also claim compensation in the form of a lump sum, calculated on the basis of the royalty fee that the infringer of the trademark right would have to pay if they wanted to use the sign lawfully. The choice of whether to claim compensation on general principles or as a lump sum based on the royalty fee belongs to the holder and does not require any further criteria or justification. This solution is appropriate for many national legal systems that have implemented the enforcement directive in their legislation. A particularity of Polish law, however, is that, aside from compensation, the holder can also claim a monetary amount corresponding to the unfairly obtained benefits. Punitive damages are not allowed. Recently, in its judgment of 22 June 2022 (case No. II CSKP 104/22), the Supreme Court confirmed that the amount of unfair benefits that the holder can demand for the infringement of the trademark right is not exhausted by the amount of the saved expense – that is, the royalty fee that the infringer should have paid – but also includes the profits achieved by the infringer as a result of the unlawful infringement of the trademark. Polish law is therefore favourable to the right holder in this respect, because by claiming a lump sum compensation and unfairly obtained benefits, they can in fact demand a double license fee. Since claiming compensation as the equivalent of a license fee is much easier than claiming compensation on general terms, it seems that the possibility of cumulation is an attractive solution for the right holder under Polish law.

In addition, the holder of a trademark right can request the publication of the court judgment or information about the judgment in the form specified by the court.

The Industrial Property Law Act (30 June 2000) permits the holder of a trademark right to make additional claims. These are:

- a right to prevent all third parties from bringing goods, in the course of trade, into Poland, without being released for free circulation there, where such goods, including their packaging, come from third countries and bear without authorisation

- a trademark that is identical to the trademark registered in respect of such goods, or that cannot be distinguished in its essential aspects from that trademark;
- if there is a risk that the packaging, labels, tags, security or authenticity features or devices, or any other items to which the trademark is affixed, could be used in relation to goods or services and that use would constitute an infringement, the holder has a right to prohibit:
 - affixing a sign identical with, or similar to, the trademark on packaging, labels, tags, security or authenticity features or devices, or any other items to which the mark may be affixed; or
 - offering or placing on the market, or stocking for those purposes, or importing or exporting, packaging, labels, tags, security or authenticity features or devices, or any other items to which the mark is affixed;
 - if there is a reproduction of a trademark in a dictionary, encyclopaedia or similar reference work, in print or electronic form, which gives the impression that it constitutes the generic name of the goods or services for which the trademark is registered, the publisher of the work is obliged, at the request of the holder, to ensure that the reproduction of the trademark is accompanied by an indication that it is a registered trademark.

The abovementioned claims can also be made against a party that offers labelled products that were not obtained from the holder of a trademark right or the person authorised to use the trademark, as well as against parties whose services were used in the course of the infringement.

MAJOR CASE OUTCOMES

Free Movement Of Goods

In its judgment of 6 May 2022 (Case No. II CSKP 457/22), the Supreme Court ruled that it was unlawful to affix a trademark used by a right holder in Poland to medicinal products introduced as part of a parallel import from another EU country if a different trademark was affixed to those goods in the country of export. The Supreme Court thus hinted to trademark right holders on how to limit the admissibility of parallel imports in Poland. This ruling is extremely controversial and was met with great surprise. In reality, the Supreme Court rejected the principle that the use of different trademarks for the same goods within a single market constitutes a disguised restriction within the meaning of article 36 of the Treaty on the Functioning of the European Union, and that such activity by the right holder should not benefit from protection.

Limitation Period

A claim of industrial property rights infringements can be pursued before the court within the limitation period of three years after the right holder learns about the infringement and the infringer, and in no case longer than five years after the infringement. Until recently, it was unclear when the limitation period began in the case of non-pecuniary claims, such as a right to request the infringing party to cease the infringement in situations where the action of the infringer is not a one-off, but of a continuous nature and ongoing at the time of initiation of the proceedings. In its resolution of 18 May 2021 (Case No. III CZP 30/20), the Supreme Court ruled that if an infringement of an EU trademark right is repetitive and is occurring

at the time the non-pecuniary claim is filed, the five-year limitation period starts from each day on which the infringement occurs. Thus, the Supreme Court introduced a distinction between the limitation period for pecuniary and non-pecuniary claims, because in the case of non-pecuniary claims, the limitation period for continuous infringement may theoretically last indefinitely. Consequently, for example, if an infringement continues, the limitation period for a claim for cessation of infringement will not end until five years after the first day of the infringement.

PRELIMINARY REFERENCES FROM THE POLISH COURTS TO THE EUROPEAN COURT OF JUSTICE

Even though the following cases refer to the EU regulations on European Union trademark rights and not to the regulations on Polish trademark rights, the preliminary references issued by the Polish courts are of significance and worth referring to.

Perfumesco Case

In its judgment of 13 October 2022 (case No. C-355/21), the CJEU ruled that if original goods with a legally placed trademark have been placed on the market without the consent of the holder of a trademark right, the EU allows for their destruction under article 10 of the EU Directive 2004/48.

The Polish Supreme Court issued a preliminary reference in a case concerning the Polish company Perfumesco.pl, which was selling Hugo Boss perfumes online. Sales in Poland included, for example, testers, as well as products intended for sale in the European Economic Area. In both cases, Procter & Gamble, the owner of the Hugo Boss brand, opposed such practices. The Supreme Court was not certain whether the goods with a legally placed trademark that were not counterfeited can be destroyed, since the Industrial Property Law Act refers only to unlawfully manufactured or marked goods.

The CJEU stated that article 10 of the EU Directive 2004/48 should be interpreted broadly and should therefore apply to goods that have been found to infringe intellectual property rights in any way. This includes cases where non-counterfeit goods were placed on the market without the consent of the trademark right's holder. The CJEU's judgment is a breakthrough in this regard as the dominant view in Poland was that the article should be interpreted narrowly, that is, only in the case of counterfeit goods. However, the CJEU's interpretation is aimed at full protection of exclusive rights against infringement by third parties. It emphasises that it is the holder of a trademark right who should decide on the first marketing of goods bearing that mark.

Castorama Case

In its judgment of 27 April 2023 (Case No. C-628/21), the CJEU ruled on a case in which a claimant requested from Castorama Polska and Knorr information regarding their distribution network, suppliers, the amount of goods received and ordered, the date of introduction of goods for sale in stationary stores and the online store, the amount of goods sold and the price obtained from the sale. The claimant stated that this information was necessary to pursue their alleged copyright claim. The legal basis was article 479 (113) of the Code of Civil Procedure, which is an implementation of article 8 section 1 of EU Directive 2004/48.

The CJEU ruled that the claimant can pursue the information claim on the scale of use of works for copyright protection if they provide reasonably available evidence to convince the

court that they are entitled to the intellectual property right. Assessment in this regard should be made by the national court. The CJEU stipulated that the request for information cannot be abused and that the national court should assess the merits and proportionality of the request for information. It should consider the circumstances of the case. Where there is an abuse of rights, the court should refuse to exercise the right to information provided for in the EU Directive 2004/48.

Even though the CJEU judgement refers to copyright law, it has a substantial impact on all intellectual property rights (including trademarks) as it concerns the requirements which the claimant must fulfill when submitting a request for information in any IP case.

Audi Case

In its decision of 22 February 2022, the Regional Court in Warsaw (Intellectual Property Division) issued a preliminary reference to the CJEU asking whether it is possible to interpret articles 9(2) and 9(3)(a) of EU Regulation 2017/1001 on trademark – the case of affixing the sign for a trademark that reflects the shape of the trademark or is confusingly similar to it – as including the shape of a car. This would be similar to the interpretation of the repairs clause in article 110(1) of EU Regulation 6/2002, such that the affixed sign cannot be regarded as a designated trademark even if it is identical to the trademark or confusingly similar to it. The issue is that there is no equivalent provision in Regulation 2017/1001 to the repairs clause from the Community Designs Regulation, so there are some doubts as to the legal basis of applying the criteria of the repairs clause to the EU trademark right infringement case. The issues concerned in the preliminary reference have been much debated in the past year as they are highly controversial and in a way revolutionary for trademark rights protection in the EU. We therefore look forward to learning the CJEU's opinion on this matter.

A&O SHEARMAN

Krystyna Szczepanowska-Kozłowska

krystyna.szczepanowska@allenoverly.com

<https://www.aoshearman.com/en>

Read more from this firm on WTR

Spain: Alicante Commercial Court Takes Issue with Online 'Hidden' Trademark Use

Esther Gómez

Grau & Angulo

Summary

[IN SUMMARY](#)

[DISCUSSION POINTS](#)

[REFERENCED IN THIS ARTICLE](#)

[INTRODUCTION](#)

[ORDER NO. 206/2023 OF THE SPANISH EU TRADEMARK COURT](#)

[CONCLUSIONS](#)

[ENDNOTES](#)

IN SUMMARY

Until recently, the online hidden use of a competitor's trademark has chiefly been analysed in Spain in relation to the use of keywords within Google's AdWords service. However, Order no. 206/2023 of the Alicante Commercial Court no. 4 shows that the use of a competitor's trademark in a non-apparent way – as, for example, part of the URL or the metadata of a website – may also imply trademark infringement or amount to unfair competition, at least at first sight within the context of interim measures proceedings.

DISCUSSION POINTS

- Risk of confusion when using a competitor's trademark as part of the URL or the metadata of a website
 - Acts of unfair competition when jeopardising the web positioning of a competitor
 - Limitations of the effects of a trademark and the need for honest practices in industrial and commercial matters
-

REFERENCED IN THIS ARTICLE

- ECJ's Google France and Google case
- ECJ's Interflora case
- Order no. 206/2023 of the Alicante Commercial Court no. 4 , dated 14 August 2023

INTRODUCTION

Article 34 (3)(f) of the Spanish law on trademarks (17/2001) establishes that where there is a double identity, a risk of confusion or a situation in which the reinforced protection of reputed trademarks is applicable, the owner of the trademark affected may prohibit the use of the conflicting sign in the course of trade. This includes, in particular, "in telematic communication networks and as a domain name". Although the clearly visual online use of a conflicting sign may not mean that much difference in terms of trademark enforcement in comparison to the use of a conflicting sign on goods or on printed advertising materials, such enforcement is more challenging when the online use of a conflicting sign is 'hidden', as, for example, in a URL or in website metadata. Referrals made to the European Court of Justice and its rulings have thrown some light on this matter.

Particular attention has been given to Google's paid referencing service, AdWords. Within AdWords, an economic operator may choose to use a competitor's trademark as a keyword in order to promote its own goods and services and try to obtain a better search result placing. In its judgment of 23 March 2010 issued in the joined cases C-236/08 to C-238/08 (- Google France and Google), the ECJ ruled that the sign selected by an advertiser or economic operator as a keyword in the context of an internet referencing service must, for the purposes of trademark law, be regarded as a use in the course of trade.^[1] Soon after, through its judgment of 22 September 2011 issued in the case C-323/09 (Interflora), the ECJ set the parameters by which to determine when the use of a competitor's trademark as a keyword to an internet referencing service may adversely affect the main function of a trademark;

that is, that of indicating its commercial origin. The ECJ ruled that whether there is an adverse effect on the function of indicating origin depends on how the commercial message is presented. An adverse effect can be found either where the advertiser's commercial message suggests an economic link between that economic operator and the trademark owner; or where the commercial message is vague on the origin of the goods or services at issue, to such extent that reasonably well-informed and observant internet users are unable to determine whether the economic operator advertising its goods or services is economically linked to the trademark owner.^[2] In its latter judgment, the ECJ further stated that in carrying out this assessment, facts such as the general knowledge of the market by the reasonably well-informed and reasonably observant internet user, or the size and profile of the commercial network of the trademark owner,^[3] should be taken into account.^[4]

Spanish courts have applied the teachings of these rulings. They have, for example, found trademark infringement where a company was using a competitor's trademark as a keyword to promote its goods and services while, at the same time, the competitor's trademark was included in the company's commercial message, suggesting that there was an economic link between them.^[5]

However, an economic operator may avoid using a competitor's trademark as a keyword within AdWords but still include it within the URL or metadata of its website. When an internet user performs a search on the basis of that trademark, the search engine will display those sites that appear best to correspond to that word, in decreasing order of relevance, and including those results in which the trademark is hidden within the URL or metadata. These are the so-called natural results of the search, as described by the ECJ in its *Interflora* judgment.^[6] Yet they may still affect the trademark owner's search engine optimisation (SEO). That is, the process and actions, including technical ones, that aim to improve the quality and quantity of traffic to its website from search engines.

In fact, Spanish courts have already acknowledged that trademark law and the law against unfair competition apply to the use of a competitor's trademark within the metadata of a website. This is due to the role that metadata plays in positioning websites within engine search results, and the importance of trading goods and services on the Internet. The Barcelona Court of Appeal, for example, found trademark infringement and acts of unfair competition in favour of, among others, *Fundación Gala-Salvador Dalí*, in a case in which the terms "Dalí" and "Salvador Dalí" – which formed part of different trademark registrations – were used in the metadata of a third party's website relating to an art gallery.^[7]

Recently, the Alicante Commercial Court no. 4, acting as the EU Trademark Court in Spain, has been able to assess this matter from a *prima facie* perspective within the context of interim measures proceedings.

ORDER NO. 206/2023 OF THE SPANISH EU TRADEMARK COURT

The plaintiff filed a request for interim measures against an online real estate platform on the basis of alleged trademark infringement and alleged acts of unfair competition.

The plaintiff was said to have recently launched an innovative fully online service that provided certificates regarding the solvency of tenants, after conducting a professional analysis on the documentation submitted by the latter in combination with an anti-fraud system. This certificate facilitates tenants' access to accommodation offered for rent (by reducing the amount of documentation to be submitted to the owner) and, at the same time, provides the renter with more certainty as to the tenant's solvency. The plaintiff renders this

service under several EU and national figurative trademarks. The defendant owns a website focused on real estate intermediation between owners offering their properties for sale or rent and potential buyers or tenants. This website has high levels of traffic, and is one of the most visited websites in Spain.

After the launch of the plaintiff's certification service, the defendant began to commercialise a solvency certification service through its website. It launched a marketing campaign for this service in April 2023. Although initially the name adopted for this service was not in conflict with the plaintiff's trademarks, the defendant later changed the name of the service to one that, according to the plaintiff, was in conflict. This name change was reflected in both the text and metadata of the defendant's website, as well as in a marketing campaign around this new service that was posted to third party websites.

Following a cease and desist letter from the plaintiff, the defendant changed the conflicting name of its service on its website, returning to the original non-conflicting name. However, it did not remove the conflicting terms from its website's URL or metadata. In addition, the marketing campaign across third party websites continued to refer to the conflicting name.

On 10 August 2023 the plaintiff filed a request for interim measures, on the basis of trademark law and the law against unfair competition. It claimed that continued use of the conflicting sign was having an adverse effect on its SEO and posed a risk that the public would wrongly connect the certification services of the plaintiff and the defendant. Consequently, it asked that the defendant remove and cease use of the conflicting sign on its website and within the site's metadata, and across the third party websites. The request was filed prior to the filing of the statement of claim and sought the granting of the interim measures without hearing the other party, claiming reasons of extreme urgency. Among other reasons, this was because of the short time before September – a month in which the closing of rent contracts increases – and the damaging consequences that the prolongation of the situation could have on the plaintiff's SEO.

The Alicante Commercial Court no. 4 fully granted the plaintiff's interim measures request by means of Order no. 206/2023, dated 14 August 2023. On initial examination of the case it reasoned that the marketing actions taken by the defendant, either through its own website or through those of third parties, could be deemed detrimental to the plaintiff's search engine positioning and could lead to damaging consequences in terms of competition. The court also acknowledged that it could amount to risk of confusion. After analysing the facts of the case, including the level of distinctiveness of the respective trademarks, it concluded that the public could be led to believe that the innovative certification offered by the plaintiff was actually rendered by the defendant, considering the novelty of the plaintiff's certification and the online nature of the services rendered by both parties.

CONCLUSIONS

A decision on the merits of this case remains to be seen, but Order no. 206/2023 reminds us that the hidden (or non-apparent) use of a competitor's trademark as part of a URL or within the metadata of a website may imply trademark infringement and acts of unfair competition, especially in the case of competitors that operate fully online. This could at least be the case where the economic operator using the conflicting sign within a URL or metadata of its website combines this with an advertising campaign through third parties' websites on which the conflicting sign is openly used; or where the economic operator's actions have the potential to jeopardise the competitor's SEO to the extent of eliminating it from the market.

The limitations of the effects of trademarks should also be taken into account, however. In particular, attention should be given to those that relate to the potential lack of distinctiveness or descriptive character of the registered trademark being used without consent by a competitor as part of the URL or the metadata of its website. Nevertheless, in this analysis, it should also be apparent that Spanish trademark law, just like the EU's Regulation on Trademarks, prohibits the application of this defence when the unconsented use of a conflicting sign does not accord with honest practices in industry or commerce.

Endnotes

- 1 See judgment C-236/08 to C-238/08, paragraphs 49–52. [^ Back to section](#)
- 2 See judgment C-323/09, paragraphs 44–45. [^ Back to section](#)
- 3 The ECJ pointed out that where a network varies greatly in size and commercial profile, it may be particularly difficult for the internet user to determine whether the economic operator is part of the network of the trademark owner. [^ Back to section](#)
- 4 See judgment C-323/09, paragraphs 51–52. [^ Back to section](#)
- 5 See judgment 193/2016 of the Madrid Court of Appeal, dated 20 May 2016 (JUR/2016/169545). [^ Back to section](#)
- 6 See judgment C-323/09, paragraph 9. [^ Back to section](#)
- 7 See the Barcelona Court of Appeal's judgment 318/2013, dated 24 July 2013 (AC/2013/1662), paragraphs 45–46. [^ Back to section](#)

GRAU & ANGULO
ABOGADOS

Esther Gómez

e.gomez@ga-ip.com

C/Nuñez de Balboa 120 , Madrid 28006, Spain

Tel: +34 91 353 36 77

<http://www.ga-ip.com>

[Read more from this firm on WTR](#)

Specialist chapter: Crucial Considerations for Brand Owners Contemplating Legal Action in Spain

Lucas Flores Dreosti

Ballester IP

Summary

IN SUMMARY

DISCUSSION POINTS

REFERENCED IN THIS ARTICLE

INVESTIGATION AND RESEARCH

DOMICILE OF THE DEFENDANT

EVIDENCE OF INFRINGEMENT

FINANCIAL SITUATION

RIGHTS IN THE NAME OF THE DEFENDANT

SPANISH TRADEMARK COURTS

UNREGISTERED RIGHTS IN SPAIN

CEASE AND DESIST LETTERS AND COMPENSATION

ENTITLEMENT TO BRING LEGAL ACTIONS

IN SUMMARY

This chapter explains what to take into consideration before taking legal action in Spain

DISCUSSION POINTS

- Investigation and research
 - Spanish trademark courts
 - Unregistered rights in Spain
 - Cease and desist letters and compensation
 - Entitlement to bring legal actions
-

REFERENCED IN THIS ARTICLE

- Spanish Trademark Law 17/2001
- EU Trademark Directive
- Spanish Unfair Competition Law 3/1991
- Spanish Patent Law 24/2015
- Supreme Court Judgement 520/2014
- Preliminary injunction of the Spanish EU Trademark Court of Alicante of 13 July 2023

Initiating legal action in Spain, or any other jurisdiction, is a significant step for brand owners. Before taking such action, it is crucial to consider various factors and ask some key questions to ensure that the legal process aligns with your brand protection and enforcement goals.

The EU Trademark Directive has brought to Spain a uniform criterion with the other EU member states, but there are still some elements to bear in mind when deciding to take legal action as a brand owner because of the particulars of Spanish practice.

INVESTIGATION AND RESEARCH

It is essential to conduct an investigation of the defendant in detail in a trademark litigation case and, among other things, it is necessary to take into consideration where they are based, their financial situation, if they hold trademark registrations and the relevance of securing evidence.

DOMICILE OF THE DEFENDANT

In some cases, the defendant is habitually relocating or there is no effective domicile that may pose a problem for brand owners' interest. This happens usually with regard to online trademark infringements where infringers want to go unnoticed and in those cases where information regarding the ownership of a website is not available, even though it is mandatory according to Spanish law.

Spanish procedural law provides for measures if the defendant cannot be located and the judgement must be served by public notice, by publishing the action in court or in official

gazettes or newspapers. The consequence of this is that the defendants never participate in court proceedings, which continue exclusively with the plaintiff and the court.

Even if the defendant's lack of participation in the court proceedings does not prevent the trademark proprietor from filing the action and obtaining a favourable judgement, the enforcement of the judgement will take considerably longer and may be unsuccessful.

Finally, where the defendant is based is also relevant to determine the competent court to handle the matter.

EVIDENCE OF INFRINGEMENT

Securing evidence of infringement is important to obtaining goods results in a trademark legal action. This does not necessarily mean acquiring samples of the infringing goods, as in some cases, for example, due to the nature of the goods involved or because these are not for sale yet, this is impossible.

This is particularly relevant when the infringement takes place online, in marketplaces or in the digital world (eg, the metaverse) where it could be taken down immediately. On a separate note, the EU Trademark Court of Alicante granted a preliminary injunction (in UTOPIA) on 13 July 2023, being the first in relation to a trademark infringement in the metaverse.

Securing evidence by means of a notary may be advisable depending on the particulars of the infringement.

FINANCIAL SITUATION

It is important to investigate the defendant and check with Spanish Companies House or other business information providers to confirm that the defendant has sufficient assets to cover potential compensation and reimbursement of legal costs.

Although the brand owner may still have a favourable judgment ordering the defendant to cease the infringement, the impossibility of obtaining compensation and reimbursement of legal costs must be taken into consideration.

RIGHTS IN THE NAME OF THE DEFENDANT

Although the principle of immunity of a trademark registry has had no effect in Spain since the DENSO judgment in 2014, it is important to be aware of trademarks (or trade names in Spain) in the infringer's name, even if this has been filed after the brand owner's trademark as the intervening rights defence may apply.

In a legal action, holding a registered trademark, even if this has been filed after the infringed trademark, may play an important role in the strategy of defence. This is called the intervening rights defence and it may affect the exclusive rights of the earlier EU or national trademark:

- The earlier trademark cannot prevent use of a later trademark if this could have been declared invalid owing to non-use at the filing date (or priority date) of the later trademark.
- If the earlier trademark has no distinctive character, is descriptive or is a generic term, it cannot prevent use of a later trademark if it had not acquired distinctive character at the filing date (or priority date) of the later trademark.
- The earlier trademark enjoying reputation cannot prevent use of a later trademark based on unfair advantage, or be detrimental to its distinctive character or reputation,

if it had not acquired reputation at the filing date (or priority date) of the later trademark.

When it comes to intervening rights, it is very important to take into account the unitary effect of EU trademark registrations and the fact of facing an intervening rights defence on the basis of national rights.

SPANISH TRADEMARK COURTS

The Spanish EU trademark courts are the courts with sole jurisdiction to deal with EU trademarks in Spain.

While each member state has a specialised court for EU trademark matters, infringement actions in relation to an EU trademark (or trademark with EU effect) involving non-EU parties (or with no establishment in the European Union) will necessarily be handled by the Spanish EU trademarks courts, as these are the courts where the EUIPO has its seat.

When taking actions solely on the basis of infringement of Spanish national trademark registrations, actions may be filed in courts in the region where the defendant is based, where the trademark holder's representative is based or where the infringement took place. The competent court is the commercial court based where the High Court of Justice of that region is based. In some provinces (Barcelona, Valencia, Madrid, Granada or Bilbao, among others), Spanish procedural law designated specialised courts in trademark matters.

UNREGISTERED RIGHTS IN SPAIN

Contrary to common law jurisdictions where passing off applies, Spain requires a trademark to be registered to have exclusive rights over that sign. However, unregistered rights may still serve as a basis for actions provided that the sign is notoriously known in Spain.

The Unfair Competition Law 3/1991 (UCL) can also serve as a basis for the protection of unregistered rights, but this is complementary to intellectual property. In this respect, it is indeed possible to bring actions for trademark infringement and actions for unfair competition together, but actions for unfair competition cannot replace the protection provisions of the Spanish Trademark Law 17/2001 (STL). In practice, the defendant's conduct must go beyond decent business practises for a case to apply both the UCL and the STL.

CEASE AND DESIST LETTERS AND COMPENSATION

It is not required under the STL and courts' practice to send a cease and desist letter before bringing legal actions.

That said, it is always advisable to send a cease and desist letter to show courts that the brand owner is seeking to settle out-of-court. Besides this, it is also advisable to send a cease and desist letter because the liability for damages of defendants will start once they are notified of the trademark infringement, except in the following cases:

- when the infringer is the first commercialising the goods and/or services in the market;
- when the infringer is the importer of the goods into the Spanish market;
- when the infringer is using the trademark in the goods or in the packaging;

- when the infringer acted in bad faith;
- when the trade mark is well known;
- when the infringer acted negligently; and
- when the infringer used the trademark in elements for identifying or decorating the goods and/or services knowingly that these may be used in relation to goods and/or services.

The damaged party shall request that the compensation is fixed taking into account different criteria. Among these factors, it is possible to establish the compensation as follows:

- the negative economic consequences suffered by the damaged party, including the profit that the right holder would have made if the infringement had not occurred or the profit that the infringer has made as a result of the infringement; or
- a lump sum amount comprising at least the amount that the infringer should have had to pay to the owner of the trade mark for a licence.

Moral damages, investigation costs and damages caused to the prestige of the trademark may also be included in the compensation.

ENTITLEMENT TO BRING LEGAL ACTIONS

Trademark infringement actions can be filed by the trademark holder, but there is also the possibility for licensees or co-owners to bring actions provided that some requirements are met.

Exclusive licensees will be entitled to bring legal actions unless otherwise agreed in the licence agreement. However, even if the agreement expressly stated that the exclusive licensee was not entitled to bring an action, it is still possible for the exclusive licensee to bring an action if the trademark holder is required to file actions against the trademark infringement and fails to do so within three months. For EU trademark registrations, it is not required for the exclusive licensee to wait for three months after requesting the EU trademark holder to take action against an infringement. EU trademark law requires the EU trademark holder to proceed instead within an appropriate period.

Non-exclusive licensees of Spanish trademark registrations can also bring legal action if they have requested the trademark holder to do so and no action is taken within three months. With regard to EU trademarks, non-exclusive licensees need consent from the EU trademark holder to bring an action.

For these provisions to apply, it is necessary that the licence is registered in the Spanish Patent and Trademark Office. Contrary to the Spanish Patent Law 24/2015, EU trademark case law ruled that registration of a licence is not necessary for the licensee to take action.

Any licensee of a Spanish trademark registration that brings an infringement action on the basis of the above-mentioned provisions must notify the trademark holder, who will be entitled to intervene in the proceeding, either as an independent party in the proceeding or as an intervener supporting the licensee.

Ballester^{IP}

Lucas Flores Dreosti

lflores@ballester-ip.com

Avda de la Constitución 16 – 1º D 03002 Alicante , Spain

Tel: +34 965 14 60 87

<https://www.ballester-ip.com/>

[Read more from this firm on WTR](#)

Romania: Key Developments Following Implementation of the EU Enforcement Directive

Ionuț Cofaru, Vlad Stănese and Cristian Cealera

Răzvan Dincă & Asociații

Summary

[IN SUMMARY](#)

[DISCUSSION POINTS](#)

[REFERENCED IN THIS ARTICLE](#)

[DEVELOPMENTS RELATED TO THE CONDITIONS THAT ARE TO BE MET FOR A PRELIMINARY INJUNCTION TO BE GRANTED](#)

[DEVELOPMENTS RELATED TO THE REQUEST FOR DAMAGES](#)

[INJUNCTIONS AT A GLANCE](#)

[ENDNOTES](#)

IN SUMMARY

This article seeks to explain the most recent developments in the case law of the Romanian courts with respect to the conditions that are to be met for a preliminary injunction to be granted and, respectively, the elements considered by the court when assessing a request for damages.

DISCUSSION POINTS

- Analysis of the prima facie validity of the trademark right
 - Appearance of infringement
 - Urgency of the requested measures
 - Culpability of the infringer
 - Methods of establishing damages
-

REFERENCED IN THIS ARTICLE

- Bucharest Court of Appeal, Decision No. 1576/10.11.2021
- Bucharest Court of Appeal, Decision No. 1120/20.07.2021
- Bucharest Court of Appeal, Decision No. 696/22.04.2021
- Bucharest Court of Appeal, Decision No. 831/26.05.2021
- Bucharest Court of Appeal, Decision No. 774/15.07.2020
- Bucharest Court of Appeal, Decision No. 831/26.05.2021
- High Court of Cassation and Justice of Romania, Decision No. 3447/05.10.2018

Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (the Enforcement Directive), harmonising the legal framework in intellectual property rights enforcement, was implemented in the national law of Romania through Government Emergency Ordinance 100/2005 (GEO 100/2005).

Given the importance of the analysed subject, this article seeks to present a series of significant developments of trademark case law in Romania in matters pertaining to GEO 100/2005, focusing mainly on the conditions that must be met for a preliminary injunction to be granted and on problems relating to a request for damages.

DEVELOPMENTS RELATED TO THE CONDITIONS THAT ARE TO BE MET FOR A PRELIMINARY INJUNCTION TO BE GRANTED

In the following, we will analyse the conditions that are assessed by the courts when handling preliminary injunction cases, focusing on the specific developments that recently occurred in national case law with respect to such conditions.

With respect to the appearance of the right condition, we note the following aspects. When analysing whether the right is favourable to the claimant, the courts usually assess the prima facie validity of the trademark right and whether a prima facie infringement of such

right occurs. As a result of a trend that has been firmly developing in patent preliminary injunction proceedings – where the courts usually consider elements such as foreign decisions and opposition decisions, or preliminary opinions, rendered by the European Patent Office opposition division – in which the validity of the patent is analysed, when deciding on the prima facie validity of such right, the courts tend to focus more and more on the prima facie validity of the right in preliminary injunction proceedings.

Such an approach was confirmed in a recent decision of the Bucharest Court of Appeal – the Court of Appeal renders the final decision in trademark preliminary injunctions, as the court expressly considered that, when assessing the appearance of right condition, both the prima facie existence of the rights invoked by the appellant and the appearance of infringement must be taken into account.^[1] Further on, in its assessment, the Bucharest Court of Appeal held that the appearance of right is favourable to the defendant by relying on the fact that the trademark invoked by the appellant was no longer in force and that, according to the applicable legal provisions, the trademark application did not grant a right that could be invoked in preliminary injunctions proceedings.

This is a significant change from previous practice where the court would have merely considered that a trademark right that has been registered is presumed valid, without actually analysing its prima facie validity. Regarding this aspect, it is interesting to further analyse whether, in the future, the courts will get to prima facie tackle invalidity arguments, or whether they would rather stick to referring to foreign or other decisions rendered by foreign entities in which it is held that the right is valid or void.

With respect to the condition pertaining to the fact that the court cannot tackle the merits of the case, we note the following. In this context, the courts assess whether prima facie infringement can be determined within the procedural constraints of urgent proceedings – in other words, whether the complexity of the case allows for a prima facie infringement finding. The court's assessment will generally concern the strength of the infringement arguments and defences in connection to the possibility of assessing prima facie infringement only based on documentary evidence, without the need of more complex evidence. If infringement cannot be established as such, this is considered an important reason to dismiss the preliminary injunction claim and wait for the outcome of the case on the merits.

Regarding this aspect, it was recently held by the Bucharest Court of Appeal^[2] that the prima facie analysis that is conducted in preliminary injunction proceedings does not preclude the court from analysing the visual, aural and conceptual similarity of the signs and the risk of confusion between the claimant's trademark and the allegedly infringing sign. Further, the court noted that, as a rule, preliminary injunctions can be granted also in such scenarios in which the signs in conflict are not identical or quasi-identical. With respect to the comparison of goods, the court considered that it cannot undergo an in-depth comparison and that, as such, to conclude that the goods are similar it cannot rely on elements such as a complementarity relation that exists between the compared goods. Moreover, the court also considered that the appearance of infringement must be clear enough that the provisional prohibition is justified.

With respect to the urgency of the preliminary measures and, as a particular part of the urgency, the risk for a damage difficult to repair to be incurred by the claimant, the following elements should be considered. In this context, the court verifies the circumstances of the case to see whether there are reasons for granting the injunction in urgent proceedings, as

opposed to the case on the merits. In a previous approach, the courts would merely consider that the urgency condition is presumed in trademark preliminary injunction requests. However, it would seem that such a practice is obsolete and the courts no longer rely on such a presumption. In this sense, in a recent judgment, the Bucharest Court of Appeal^[3] established that the urgency condition must not be presumed, but rather that the claimant is obliged to prove that this condition is met by showing that there is a risk of imminent and difficult to repair damage to occur. This approach has also been adopted by other courts.

Considering the current practice of the courts, if the preliminary injunction request is filed no later than six months from the moment when it became possible to do so, it is likely that the court will consider that the request was filed in a timely manner. There is a recent judgment of the Bucharest Court of Appeal in this sense.^[4] In the quoted judgment, the Court of Appeal held that a period of six to seven months, passing from the moment in time when the claimant acknowledged the existence of the allegedly infringing acts until when it filed the preliminary injunction request, is reasonable. Also, the Bucharest Court of Appeal showed that the urgency clock should not be considered to run from when the trademark application was filed.

Second, the urgency is usually (also) verified in connection with a risk for the claimant to incur a damage difficult to repair. Regarding the latter aspect, the Bucharest Court of Appeal held that damage that impacts the evolution of the market is damage difficult to repair.^[5] Further, the court noted that the fact that two parties undergo their activity in different cities does not lead to the absence of a risk for damage to occur to the appellant.

With respect to the proportionality of the requested measures, we note the following. In this context, the courts usually take into account factors such as:

- whether the risk for a damage to be incurred by the defendant as a result of the preliminary injunction outweighs the damage suffered by the claimant if the injunction is not granted;
- the legitimacy of the defendant's actions; and
- potential effects on third parties.

Regarding this condition, the Bucharest of Appeal stated that whether the claimant effectively uses the allegedly infringed trademark is a relevant element when performing the proportionality test.^[6] Also, the fact that, on one hand there was no information regarding the use of the trademark by the claimant, while on the other hand the defendant used the sign for a long period of time, was also considered by the court.

In conclusion, we consider that the recent case law of the courts, especially of the Bucharest Court of Appeal, has established a set of important guidelines that are to be considered when assessing a preliminary injunction request, guidelines that are likely to be further developed in the case law.

DEVELOPMENTS RELATED TO THE REQUEST FOR DAMAGES

Article 13 of the Enforcement Directive has been transposed in national law through article 14 of GEO 100/2005. Article 14 of GEO 100/2005 entitles the injured party to request the court to oblige the person that 'with intent' underwent a counterfeit activity to pay damages to the owner of the infringed right. When establishing such damages, it is enshrined in the provision that the court will consider:

- a) all the relevant aspects, such as the negative economic consequences, especially lost profits, which the injured party has suffered, any unfair profits made by the infringer and, on a case by case basis, elements other than economic factors, such as the moral prejudice caused to the rightholder by the infringement or
- b) alternatively, when it is appropriate, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.

Albeit that at a first glance the provision seems to closely reflect the stipulations from article 13 of the Enforcement Directive, a series of elements should be considered.

First, in article 14 of GEO 100/2005, it is noted that the deed must be committed with intent, whereas in the Enforcement Directive reference is made to a person who knowingly, or with reasonable grounds to know, committed the infringing acts. In other words, the national provision seems to impose a more drastic condition than that enshrined in the Enforcement Directive. The confusion generated by such a provision was cleared by the High Court of Justice that settled this matter in a very important judgment.^[7] In this sense, the High Court considered that the wording of article 13 of the Enforcement Directive and the purpose of the Directive must be taken into account and that, in such a scenario, one cannot apply the national law provision in the sense of awarding damages only if the infringement is committed with intent. In this sense, the High Court considered that the Directive also covers the scenario in which the infringer had reasonable grounds to know that is engaging in an infringing activity (and not only the case when the infringer acts with intent). As a result of this interpretation, the High Court concluded that the slightest form of negligence on behalf of the infringer suffices for the condition to be met. This judgment settled any discussions on the matter and is likely to be further followed by the national courts.

Second, another problem that has been largely analysed in case law pertains to whether there is a hierarchy between the two methods enshrined in article 14 (2) of GEO 100/2005 or whether the claimant is free to choose between requesting damages in accordance with article 14(2)(a) of GEO 100/2005 (ie, in relation to the actual damage that were suffered) or, respectively, in accordance with article 14(2)(b) of GEO 100/2005 (ie, as a lump sum).

Regarding this aspect, the High Court has held^[8] that one should establish the damages as a lump sum in such scenario when, for example, establishing the amount of damages that were actually suffered is particularly difficult to establish. In another judgement, the High Court showed that the claimant is not obliged to prove that it was impossible to determine damages in accordance with article 14(2)(a) of GEO 100/2005.^[9]

Regarding this aspect, from the wording of the provision (ie, in appropriate cases in the Enforcement Directive, and respectively when it is appropriate in GEO 100/2005), it could be argued that one must show that it is appropriate to establish the damages as a lump sum and that, in the absence of show a reasoning, the claimant cannot request damages in accordance to article 14(2)(b) of GEO 100/2005. However, considering the High Court's case law, it does not seem that it is necessary to show that it is impossible to establish the actual damages suffered in accordance to article 14(2)(a) of GEO 100/2005, but rather that

there are reasons that justify setting the damages as a lump sum. However, we consider that this is relevant to further analyse the manner in which such a reasoning will be further approached by the national courts.

Further, we consider that the two methods are alternative and, *exempli gratia*, one could file a request in which it requests damages quantified as the unfair profits obtained by the infringer as a main request and, as a subsidiary request, it could request the court to establish a lump sum quantified as the royalties that would have been owed to the trademark owner.

Third, with respect to applying the method enshrined in article 14(2)(a), one cannot establish the owed damages by relying both on the unfair profits made by the infringer and also on the loss of earnings incurred by the trademark owner.^[10] Also, it has been noted in the case law of the High Court of Justice^[11] that, when establishing the amount of damages, one must refrain from also taking into account gains obtained by the infringer from activities that are not related to the infringing acts. As such, extra precautions must be taken to ensure that reference is made only to the damages resulting from the infringing activity.

In conclusion, a series of important aspects pertaining to a request for damages have been clarified in recent case law of the High Court of Justice. In this sense, we note that:

- for the injured party to be able to request damages, the infringer must not necessarily act with intent when undergoing the infringing acts;
- it is likely to be considered that, for requesting the damages to be set as a lump sum, the claimant must show that there are reasons that justify such an option; and
- the criteria used when establishing the actual damages suffered by the injured party can be depicted in the case law of the High Court, being likely that further developments on the matter will occur in the near future.

INJUNCTIONS AT A GLANCE

Preliminary Injunctions – Are They Available, How Can They Be Obtained?

Yes, preliminary injunctions are available and they can be requested both *ex parte* or *inter partes*. *Ex parte* injunctions are rarely granted in practice. For obtaining a preliminary injunction, the most important conditions are appearance of right favourable to the claimant; the request does not imply tackling the merits of the case; the measures are urgent; and the requested measures are proportional.

Permanent Injunctions – Are They Available, How Can They Be Obtained?

Yes, permanent injunctions are available. The main condition that must be met for obtaining such a permanent injunction resides in proving the infringement of a trademark right that can be invoked by the claimant.

Is Payment Of A Security/deposit Necessary To Secure An Injunction?

The payment of a bond is usually requested in preliminary injunction proceedings. However, the court is not obliged to order the claimant to pay such a bond, as it is at the court's discretion to proceed in this sense.

What Border Measures Are Available To Back Up Injunctions?

The provisions of the EU Regulation No. 608/2013 of the European Parliament and of the Council of 12 June 2013 are in force on the Romanian territory. As such, *inter alia*, the

customs authorities could suspend the release of the goods or detain them if the conditions set forth in the Regulation are met.

Endnotes

- 1 Bucharest Court of Appeal, Decision No. 1576/10.11.2021 rendered in file No. 19022/3/2021. [^ Back to section](#)
- 2 Bucharest Court of Appeal, Decision No. 1120/20.07.2021 rendered in file No. 8220/3/2021. [^ Back to section](#)
- 3 Bucharest Court of Appeal, Decision No. 696/22.04.2021 rendered in file No. 2410/3/2021. [^ Back to section](#)
- 4 Bucharest Court of Appeal, Decision No. 831/26.05.2021 rendered in file No. 31799/3/2020. [^ Back to section](#)
- 5 Bucharest Court of Appeal, Decision No. 774/15.07.2020 rendered in file No. 16160/3/2019. [^ Back to section](#)
- 6 Bucharest Court of Appeal, Decision No. 831/26.05.2021 rendered in file No. 31799/3/2020. [^ Back to section](#)
- 7 High Court of Cassation and Justice of Romania, Decision No. 3447/05.10.2018 rendered in file No. 32743/3/2013. [^ Back to section](#)
- 8 High Court of Cassation and Justice of Romania, Decision No. 3904/09.11.2018 rendered in file No. 25559/3/2015. [^ Back to section](#)
- 9 High Court of Cassation and Justice of Romania, Decision No. 1059/16.06.2017 rendered in file No. 56335/3/2010*. [^ Back to section](#)
- 10 High Court of Cassation and Justice of Romania, Decision No. 573/23.03.2021 rendered in file No. 47168/3/2016. [^ Back to section](#)
- 11 High Court of Cassation and Justice of Romania, Decision No. 3447/05.10.2018 rendered in file No. 32743/3/2013. [^ Back to section](#)

RĂZVANDINĂ & ASOCIAȚII
KNOWLEDGE IS POWER

Ionuț Cofaru
Vlad Stănese
Cristian Cealera

ionut.cofaru@razvandinca-legal.ro
vlad.stanese@razvandinca-legal.ro
cristian.cealera@razvandinca-legal.ro

49 Popa Tatu Str , 1st District, Bucharest , Romania

Tel: +4031 438 06 96

<https://www.razvandinca-legal.ro/>

[Read more from this firm on WTR](#)