SPC Guiding Case No. 82: Wang Suiyong v. Shenzhen Gelisi Apparel Co., Ltd. and Hangzhou Yintai Shiji Department Store Co., Ltd. (Trademark Infringement Dispute)

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SPC Guiding Case No. 82

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Keywords

Civil; infringement of trademark right; good faith; abuse of rights

Holding

Where a party, in violation of the principle of good faith, harms the lawful rights and interests of others, disrupts the order of fair market competition, maliciously obtains and exercises a trademark right, and claims that others have infringed it, the people's court shall, on the ground that this constitutes abuse of rights, render a judgment not supporting its claims.

Basic Facts

Shenzhen Gelisi Apparel Industry Co., Ltd. was established on June 8, 1999. On December 18, 2008, the company acquired, by way of transfer, Trademark No. 1348583 "Gelisi," which was approved for use on goods such as clothing in Class 25 and was approved for registration in December 1999. On November 19, 2009, the trademark was approved for renewal of registration, with a validity period from December 28, 2009, to December 27, 2019. Shenzhen Gelisi Apparel Industry Co., Ltd. was also the registrant of Trademark No. 4225104 "ELLASSAY." That trademark was approved for use on goods in Class 18, namely (animal) skins, wallets, travel bags, document folders (made of leather), leather straps, furs, umbrellas, walking sticks, handbags, and shopping bags. The registration validity period was from April 14, 2008, to April 13, 2018. On November 4, 2011, Shenzhen Gelisi Apparel Industry Co., Ltd. changed its name to Shenzhen Gelisi Apparel Co., Ltd. (hereinafter "Gelisi Company," the defendant in the first instance of this case). On March 1, 2012, the registrant of the above "Gelisi" trademark was correspondingly changed to Gelisi Company.

The plaintiff in the first instance, Wang Suiyong, applied in June 2011 to register Trademark No. 7925873 "Gelisi," which was approved for use on goods such as wallets and handbags in Class 18. Wang Suiyong had also applied on July 7, 2004, to register Trademark No. 4157840 "Gelisi and Device." Subsequently, in a second-instance judgment rendered by the Beijing Higher People's Court on April 2, 2014, it was determined that the trademark harmed the prior trade-name right of Gelisi Investment Management Co., Ltd., an affiliated enterprise of Gelisi Company, and therefore it should not be approved for registration.

Beginning in September 2011, Wang Suiyong successively purchased, through notarized procedures, leather bags bearing tags with the words "brand Chinese name: Gelisi, brand English name: ELLASSAY" at the "ELLASSAY" counters in Hangzhou, Nanjing, Shanghai, Fuzhou, and other places. On March 7, 2012, Wang Suiyong sued, on the ground that the production and sale of the above leather bags by Gelisi Company and Hangzhou Yintai Shiji Department Store Co., Ltd. (hereinafter "Hangzhou Yintai Company") constituted infringement of the trademark rights in "Gelisi" and "Gelisi and Device" owned by Wang Suiyong.

Judgment

On February 1, 2013, the Hangzhou Intermediate People's Court rendered Civil Judgment No. (2012) Zhe Hang Zhi Chu Zi No. 362, holding that the production and sale of the alleged infringing goods by Gelisi Company and Hangzhou Yintai Company infringed Wang Suiyong's exclusive right to use the registered trademark, and ordering Gelisi Company and Hangzhou Yintai Company to cease the infringing acts, compensate Wang Suiyong for economic losses and reasonable expenses totaling RMB 100,000, and eliminate the effects. Gelisi Company, dissatisfied, appealed. On June 7, 2013, the Zhejiang Higher People's Court rendered Civil Judgment No. (2013) Zhe Zhi Zhong Zi No. 222, rejecting the appeal and affirming the original judgment. Both Gelisi Company and Wang Suiyong, dissatisfied, applied to the Supreme People's Court for retrial. The Supreme People's Court ruled to retry the case, and on August 14, 2014, rendered Judgment No. (2014) Min Ti Zi No. 24, revoking the first-instance and second-instance judgments and rejecting all of Wang Suiyong's claims.

Reasoning

The court in its effective judgment held that the principle of good faith is a basic rule that all participants in market activities should follow. On the one hand, it encourages and supports people in accumulating social wealth and creating social value through honest labor, and protects the property rights and interests formed on this basis, as well as the freedom and right to dispose of such property rights and interests for lawful and legitimate purposes. On the other hand, it requires people to act in good faith and honestly without deception in market activities, and to pursue their own interests on the premise of not harming the lawful interests of others, the public interest, and market order. Civil litigation activities should likewise follow the principle of good faith. On the one hand, it guarantees that parties have the right to exercise and dispose of their civil rights and litigation rights within the scope prescribed by law; on the other hand, it requires parties to exercise their rights in good faith and prudently on the premise of not harming others and the public interest. Any act that violates the purpose and spirit of the law, aims at harming the legitimate rights and interests of others, maliciously obtains and exercises rights, and disrupts the order of fair market competition constitutes abuse of rights, and the related rights claims shall not receive legal protection and support.

Trademark No. 4157840 "Gelisi and Device" had not been approved for registration to date, and Wang Suiyong had no right to sue others for trademark infringement based on it. As to whether the conduct of Gelisi Company and Hangzhou Yintai Company infringed Wang Suiyong's trademark right in Trademark No. 7925873 "Gelisi," first, Gelisi Company had a lawful basis of prior rights. The earliest use of "Gelisi" as an enterprise trade name by Gelisi Company and its affiliated enterprises was in 1996, and the earliest acquisition of the exclusive right to use the "Gelisi" registered trademark on goods such as clothing was in 1999. Through long-term use and extensive publicity, "Gelisi," as an enterprise trade name and registered trademark, had already acquired relatively high market popularity, and Gelisi Company enjoyed lawful prior rights in the above commercial identifiers. Second, Gelisi Company's use in this case was based on a lawful rights basis, and both the manner and the nature of the use were legitimate. From the perspective of the place of sale, Gelisi Company's display and sale of the alleged infringing goods were completed at the Gelisi counter of Hangzhou Yintai Company, and the counter clearly indicated the provider of the alleged infringing goods by marking Gelisi Company's "ELLASSAY" trademark and other means. Given that Gelisi Company's commercial identifiers such as its trade name and trademark had already acquired relatively high market popularity, and that Wang Suiyong failed to prove that its "Gelisi" trademark enjoyed the same popularity, Gelisi Company's act of selling the alleged infringing goods at its counter would not cause ordinary consumers to mistakenly believe that the goods came from Wang Suiyong. From the perspective of Gelisi Company's specific manner of use, the outer packaging of the alleged infringing goods and prominent parts inside the goods clearly marked the "ELLASSAY" trademark, and the words "brand Chinese name: Gelisi" were used only on the goods' tags. Because "Gelisi" was itself the enterprise trade name of Gelisi Company and had a mutually referential relationship with its "ELLASSAY" trademark, Gelisi Company's use of the words "Gelisi" on the tags of the alleged infringing goods to refer to the producer of the goods was not clearly improper, did not have the subjective intent of free-riding on the popularity of Wang Suiyong's "Gelisi"

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trademark, and would not create obstacles for ordinary consumers in correctly identifying the source of the alleged infringing goods. On this basis, Hangzhou Yintai Company's act of selling the alleged infringing goods was likewise not prohibited by law. Finally, Wang Suiyong's act of obtaining and exercising the "Gelisi" trademark right could hardly be described as legitimate. The "Gelisi" trademark consists of the Chinese characters "Gelisi," which are completely identical to the textual composition of Gelisi Company's previously used enterprise trade name and previously registered "Gelisi" trademark. "Gelisi" itself is an invented word with no inherent meaning and has relatively strong inherent distinctiveness. Judged by common sense, in the complete absence of contact with or knowledge of it, the possibility of identical registration arising by coincidence is relatively low. As a goods operator geographically close and with a relatively high degree of relevance in business scope, the possibility that Wang Suiyong was completely unaware of the "Gelisi" trade name and trademark was relatively low. Under the above circumstances, Wang Suiyong still applied to register the "Gelisi" trademark on goods such as handbags and wallets, and its conduct could hardly be described as legitimate. Wang Suiyong's infringement action against Gelisi Company's legitimate use, brought on the basis of a trademark right obtained not in good faith, constituted abuse of rights.

(Judges of the effective judgment: Wang Yanfang, Zhu Li, Tong Shu)

Relevant Legal Provisions

Article 13 of the Civil Procedure Law of the People's Republic of China

Article 52 of the Trademark Law of the People's Republic of China

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