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Copycats fall flat

K&L Gates' Savannah Hardingham and Edwin Tan consider recent cases involving China.

IT IS A common belief in the fashion industry that China remains the "wild west" for intellectual property infringements and for enforcing intellectual property rights. Historically, even large and well-known international brands have experienced difficulty in protecting their trade marks through Court proceedings in China and, even when successful, damages awards could be quite low.

The good news is that the tide appears to be changing. Amendments to Chinese trade mark law coupled with changing attitudes of Chinese courts have helped secure some recent victories for international fashion brands in China.

Under Armour

In April 2016, a Chinese company named Uncle Martian advertised footwear and clothing that featured a logo very similar to Under Armour's famous UA logo. The branding was so similar that even major American newspapers took notice, reporting that the Uncle Martian logo looked "identical" to Under Armour's.

In response, Under Armour launched legal action against Uncle Martian in Fujian province. Contrary to expectations, Under Armour was successful and secured interlocutory injunctions, permanent injunctions as well as around \$370,000 in damages. In addition, Uncle Martian was ordered to publish a statement to correct the adverse effect of its infringements.

New Balance

New Balance's operations in China have been anything but smooth sailing. In 2015, it lost a lawsuit against a man who had registered a trade mark for the Chinese translation of New Balance, Xin Bai Lun. Despite the fact that New Balance had been selling its shoes since the 1960s, and the fact that it had only very occasionally used the Xin Bai Lun name in its advertising, a Chinese court ordered it to pay damages of almost \$1 million to the owner of the Xin Bai Lun mark for trade mark infringement.

Adding salt to the wound, in 2016 New Balance was unsuccessful in a trade mark infringement case in China against local shoe brand New Barlun.

However, New Balance has fought back and in August won a trade mark infringement case in China against three Chinese companies that had sold clothing and sports equipment under the brand New Boom. The products featured a slanted N logo that was almost identical to New Balance's iconic N logo. The Chinese court ruled that New Balance's "unique decoration rights" had been infringed and that the counterfeit products could easily be confused with authentic New Balance products. The Chinese companies were ordered to pay damages of about \$1.8 million to New Balance. This award has been hailed as an unusually large sum in China – and a sign that

the winds may finally be starting to blow in favour of foreign brands.

What does this mean for Australian brands?

If you are a brand owner and looking to expand to China, now could be a good time to do so. These rulings are a good indicator that Chinese courts have become more willing to recognise foreign intellectual property rights and crack down on Chinese copycats and rip-off brands.

Of course, it is still essential that you know your legal rights and obligations, and act early to protect your brand. It is important to remember that China is a "first to file" trade mark jurisdiction, which basically means "first in, first served". For this reason, it is very important to file your marks in China at the earliest opportunity, and consider whether the marks should be protected in Chinese as well as in English. Otherwise there is a risk that, as in the case of New Balance (and other fashion brands), an unscrupulous third party could hijack your brand's marks and leave you on the back foot. ■

For more information please contact Savannah Hardingham, Special Counsel at K&L Gates (savannah.hardingham@klgates.com). This article is for informational purposes and does not contain or convey legal advice. The information herein should not be used or relied upon in regard to any particular facts or circumstances without first consulting a lawyer.