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TOMMY HILFIGER v TOMMY CROWN: ‘transformative use’ of registered trademark found to be infringing

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Background

Tommy Hilfiger, the world-famous fashion brand, owns in China several trademarks in Class 25, namely:

TOMMY HILFIGER (registered on 30 October 1988);

a logo (registered on the same date): 

a combination of both (registered on 28 April 2014): TOMMY  HILFIGER

Tommy Hilfiger found out that a Chinese fashion company, Tommy Crown, was opening boutiques using a very similar trademark:



Further investigation revealed that the case, which looked like a pure copycat case, might be more complex than anticipated. Indeed, it was found that the Chinese company had purchased two trademarks, representing a simple white-and-grey logo, which had been registered since 2010:



Besides, the company had obtained the registration in 2015 of another trademark:

Tommycrown

It had also applied in 2018 for the registration of the mark below:

TOMMY CROWN

By adding a simple touch of red to its registered logo and by combining this slightly modified logo with the registered trademark TOMMYCROWN, also modified by separating the two names, the Chinese company had created an obvious copycat. Yet, all the elements of this infringing trademark were registered, albeit in a slightly different form.

The complaints filed with the Administration of Industry and Commerce were not accepted since the enforcement agency was reluctant to take action against registered trademarks. Filing a lawsuit before the court was not an easy solution either.

The challenges of filing a lawsuit against a registered trademark

According to the "Interpretation of the Supreme People's Court on Issues Concerning Civil Disputes between Registered Trademarks or Enterprise Names and Prior Rights" (1 March 2008), People's courts may not accept lawsuits filed against a registered trademark. The plaintiff must first obtain the invalidation of the registered trademark by initiating an administrative procedure. There are, however, two exceptions to this rule:

when the allegedly infringing mark is used on goods other than those designated by the registration; or

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when, by “changing the distinctive features of, or splitting or combining” a trademark, it becomes identical or similar to another registered trademark - such practice is commonly called ‘transformative use’.

The issue in this case was whether adding a little spot of red on the logo and splitting the words ‘Tommy’ and ‘Crown’ would be considered sufficient to overcome the prohibition enacted by the Supreme Court in its interpretation.

Civil lawsuit

On 10 September 2019 Tommy Hilfiger lodged a civil lawsuit against Tommy Crown with the Shenzhen Intermediate Court, adding as co-defendant the landlord of the shopping mall where the shop was located. It was established that the landlord had an active role in the promotion of the infringing goods (eg, warehousing, promoting online and shipping to customers, all these services being rendered against a remuneration based on turnover).

As expected, Tommy Crown argued that its use of the allegedly infringing marks was protected by the registrations for TOMMYCROWN and its logo.

On 29 April 2021 the Shenzhen Intermediate Court recognised that use of the accused mark constituted a ‘transformative use’ of the registered trademarks cited by the defendants and, therefore, infringed Tommy Hilfiger’s registered trademarks. The court also found that, although the landlord had examined Tommy Crown’s trademark registrations and licensing chain, its duty of care was higher than if it had simply collected a rent. It had failed to supervise the business activities in the mall and allowed Tommy Crown’s infringing business for nearly one year. The court thus found that the landlord should be held jointly and severally liable for part of the infringement.

Based on the above, the court issued a permanent injunction and awarded damages of Rmb5.4 million against Tommy Crown (the landlord was jointly and severally liable up to Rmb102,735).

Tommy Crown appealed to the Guangzhou High Court but, on 4 November 2022, the court upheld the first-instance judgment.

Comment

This case is not isolated. The attention of the Chinese authorities has long been drawn to this extremely malicious practice, which consists of filing a trademark that is remotely similar to a prior registered trademark and, once the mark is registered, transforming it through actual use and revealing its similarity with the prior registered trademark. These cases are always difficult to solve, especially when the infringer, instead of filing a new trademark, purchases an ‘old’ trademark which has been registered for more than five years and is thus protected against invalidation (as Tommy Crown had done).

Article 49 of the Trademark Law provides that, where a registered trademark is ‘unilaterally altered’, the Trademark Office shall issue a notice of rectification and, if the registrant does not carry out the rectification within a certain period of time, the office may cancel the trademark. However, the Trademark Law does not address the situation where the ‘unilaterally altered’ trademark becomes infringing.

It has been suggested to the authorities that the owner of the prior trademark should be allowed to file an invalidation action against the registered trademark at issue. Such action would be based on Article 7 of the Trademark Law, which provides for the principle of good faith when filing and using trademarks. So far, the response has been negative.

In the draft revised Trademark Law that was recently circulated, Article 49 (renumbered 64) adds an administrative sanction to the act of ‘unilateral alteration’ of a registered trademark (a fine of not more than Rmb100,000). In the comments to this article, it has been argued that there seems to be a confusion between ‘alteration’ and ‘passing off’: indeed, either the said alteration does not change the visual significance of the mark (in which case there is no problem), or the modification has a significant impact and, in fact, creates a new, unregistered trademark. As such, using an unregistered trademark is not illegal. It is only if the user pretends that the mark is registered that the sanctions against ‘passing off’ should apply.

The second paragraph of the new Article 64 deals with ‘alterations’ that create a situation of infringement (as in the present case), and provides that the case should be handled by the administrative enforcement authority, like any other infringement. This is certainly welcome, but - as mentioned above - the invalidation of the original mark used for the infringement should also be sought.