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Lacoste v Cartelo: a landmark case clarifying the rules on confusion and co-existence (2024)

Time: May 17 2024

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- In 2008 the Supreme People's Court ruled that there was no infringement on Cartelo's part, implying that the two logos could co-exist on the market
- Cartelo subsequently adopted several marketing and design elements closely associated with Lacoste
- The Beijing Intellectual Property Court found that the new marketing strategy had destroyed the distinct market perceptions that previously enabled the marks' co-existence

The dispute between Lacoste and Cartelo, which has spanned over two decades and involved multiple court cases, has come to a new stage. Lacoste, a globally recognised brand known for its iconic right-facing crocodile logo, found itself embroiled in legal battles with Cartelo, a company that adopted a similar, left-facing crocodile symbol for its products.



Lacoste logo (figure 1)



Cartelo logo (figure 2)

Background

The Lacoste logo has been registered in China since 1980, while the Cartelo logo was refused and was registered only in the form of a crocodile silhouette against a backdrop with the capital letters CARTELO:



Figure 3

Lacoste sued Cartelo in 2000. The core of the dispute centred around Cartelo's use of a single, left-facing crocodile logo (figure 2) and its obvious similarity with the Lacoste device (figure 1).

The case reached the Supreme People's Court in 2008. Despite the visual similarities between the signs, the court ruled that there was no infringement on Cartelo's part, implying that the two logos could *de facto* co-exist on the market.

This decision was influenced by several key factors:

- Distinct market segmentation - the court noted that the two brands targeted different consumer demographics in China, which minimised the risk of confusion;
- Co-existence on international markets - evidence was presented to show that the brands had co-existence agreements outside Mainland China; and
- Usage context - Cartelo typically used its crocodile mark in conjunction with its tri-colour logo (figure 3), which helped distinguish its products from those of Lacoste.

Despite this, the court imposed a condition on Cartelo to make every effort to avoid any potential confusion in the marketplace.

Change in Cartelo's branding strategy

However, the dynamics of the dispute have shifted significantly in recent years.

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In 2017 Cartelo was acquired by a Chinese company, Nanji E-Commerce, and developed an aggressive branding strategy. The company applied again (following an unsuccessful attempt in 2006) for the registration of the left-facing crocodile device (figure 2) and obtained registrations for bags (Class 18) and apparel (Class 25). By 2018, Lacoste observed that Cartelo had abandoned the tri-colour logo and was prominently featuring the left-facing crocodile mark alone on clothing and bags.

This change was also accompanied by the adoption of several marketing and design elements closely associated with Lacoste:

- Sports themes - Cartelo used a tennis theme, a sport deeply associated with the Lacoste brand;
- National colours - products and promotional materials began to feature the French national colours, mirroring Lacoste's branding;
- Advertising: phrases uniquely associated with Lacoste were adopted by Cartelo; and
- Store placement - Cartelo placed its stores directly opposite Lacoste's, which indicated a strategic shift towards direct competition.

These actions led to significant market confusion, prompting Lacoste to file a lawsuit claiming that Cartelo infringed its well-known trademark by mimicking its branding strategy.

Court decision

The case was brought before the Beijing Intellectual Property Court, which delivered a comprehensive ruling in favour of Lacoste. The court's decision was multifaceted:

- Recognition of Lacoste's trademark as well known - the court recognised that Lacoste's crocodile trademark was well known prior to the date on which Cartelo applied - for the first time in 2006 - for its crocodile trademark.
- Trademark similarity - the court found that the similarity of the marks was likely to confuse consumers, particularly since Cartelo had begun using the crocodile device in isolation, thus increasing its prominence.
- Market confusion - the court agreed that Cartelo's new marketing strategies had destroyed the distinct market perceptions that previously enabled the marks' co-existence, thus leading to confusion and association with Lacoste.
- Co-existence agreements - the court considered that the co-existence agreements in place for foreign markets did not apply to China.

Therefore, the court ruled that Cartelo's actions constituted trademark infringement and awarded Lacoste Rmb15.05 million in damages for economic losses and legal expenses.

The case was then appealed to the Beijing High Court, which fully maintained the first-instance judgment.

In the meantime, Lacoste had requested the invalidation of Cartelo's left-facing crocodile device. Lacoste eventually succeeded in September 2023.

Comment

The case concerns the application of Article 57.2 of the Trademark Law, which provides that using a similar trademark (on the same or similar goods) constitutes an act of infringement, but only *if it is likely to cause confusion*.

The case illustrates the (rare) situation where the use of a sign, although considered *in abstracto* as similar to a prior registered trademark, may nevertheless be deemed as not infringing because, due to a series of factual conditions, such use is unlikely to cause confusion.

The court's ruling clarifies that such conditions are not static. If the factual conditions change and if, as a result of such change, the likelihood of confusion becomes a reality, the conditions for co-existence may be destroyed and infringement may be declared, with all the consequences of the law.