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Hermès awarded Rmb2 million in damages for misuse of its trademark and iconic design elements by real estate developer (2022)

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Wen Cui and He Wei, 28 November 2022

- Hermès sued a real estate company for using its trademarks, as well as its design elements and products, in the promotion of real estate projects
- The court found that Hermès had demonstrated the well-known status of its marks; use of these marks by the defendant constituted trademark infringement
- The use of Hermès' iconic design elements and products constituted unfair competition

Background

Hermès is a prestigious French fashion house. Since 1837, it has remained faithful to its artisanal model and humanist values. The Hermès brand and the iconic commercial designs associated with Hermès enjoy a high reputation around the world.

In China, luxury goods are frequently used as gifts in the promotion of real estate property to create a high-end image of the real estate projects. However, with competition now reaching fever pitch, some real estate developers are seeking to piggyback on the reputation of luxury brands to influence the buying decision of consumers. The Hermès case is a live example that may offer brand owners some guidance on how to hold free-riders accountable.

The Hermès case

In 2020 Hermès found that a Chinese company, Shandong Hu Gang Construction Real Estate Development Co Ltd ('Hu Gang Company'), had developed and promoted a real estate project called "Hugang Center". Hu Gang Company named its apartments "Hermès Theme Apartment", which blatantly used the house mark of Hermès. It also used Hermès' trademark in promotional material (eg, posters, brochures and advertisement) and extensively displayed Hermès' iconic design elements (eg, the colour orange, the letter 'H' and the 'horse and carriage' device), as well as Hermès-branded products, in the interior decor of the sales centre and prototype apartment, as shown below:



Hermès sued Hu Gang Company before the Qingdao Intermediate Court, alleging that:

- the use of its trademark constituted trademark infringement; and
- the use of its iconic design elements and products constituted unfair competition.

Main defence arguments

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With regard to trademark infringement, Hu Gang Company alleged that the leather products covered by Hermès' registered trademarks and the real estate-related services that it offered were markedly different. Even if Hermès' trademark, as depicted below, and the Chinese equivalent of HERMÈS (爱马仕) have reached well-known status, the scope of protection of such marks cannot be extended limitlessly to cover real estate-related services.



Figure 1

With regard to unfair competition, Hu Gang Company alleged that:

Once products are sold, Hermès has no right and no control over the way in which they are used by others; hence, the display of Hermès products in its sales centre was legitimate.

The alleged design elements (eg, the colour orange, the letter 'H' and the 'horse and carriage' device) are common elements that fall within the public domain; no one shall have a monopoly over such elements, including Hermès. Therefore, use of these elements did not constitute unfair competition.

Trial court decision

The Qingdao Intermediate Court rendered the following judgment on 28 August 2022:

The evidence adduced by Hermès was sufficient to demonstrate that its trademarks - Figure 1 above and 爱马 - have reached well-known status; the use of these trademarks by the defendant in the promotion of real estate projects would cause confusion among the relevant public. Therefore, trademark infringement was established.

Hermès' iconic design elements - including the colour orange, the letter 'H' and the 'horse and carriage' device - have become associated with Hermès and enjoy a high reputation among the relevant public. Rather than just using one or two of these design elements, the defendant slavishly copied all of them, which, in combination with the use of the HERMÈS house mark and Hermès-branded products, showed the unmistakable bad faith of the defendant and its intention to create confusion among consumers. The malicious use of these iconic elements and of Hermès-branded products could evoke an association with Hermès, thus providing the defendant with an unfair competitive edge. Therefore, unfair competition was established as well.

The court thus ordered the cessation of such use and awarded Hermès damages in the amount of Rmb2 million. The defendant has appealed to the Shandong High Court and the case is now pending.

Comment

Due to its unparalleled position in the luxury world, the Hermès brand has become synonymous with top-level quality and is frequently misused by players in an array of industries for promotional purposes. It is thus inevitable that Hermès must resort to cross-class protection to prevent such misuse.

The court decision reaffirms that obtaining well-known trademark recognition is the best way to enjoy cross-class protection, even if the contested goods/services are markedly different.

The court also acted innovatively in granting protection to Hermès' iconic design elements on an unfair competition basis. This demonstrates the increasing willingness of the Chinese courts to acknowledge the significance of iconic designs, especially when dealing with bad-faith infringers.