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# Chinese character trademarks: The first thing to do when doing business in China

Tiger Zhao and Mia Li from HongFangLaw outline the importance of registering your international trademark in Chinese before small businesses beat you to it!

Over the years, owners of famous international brands have been facing disputes in China regarding their trademark in the Chinese language. The New Balance Chinese trademark infringement case is a recent hot topic in China where this dispute was mentioned.

New Balance is the famous sports shoes brand; it entered into Chinese market in 2003. Before entry to China, the trademark owner filed trademark registrations for all its trademark logos but did not adopt a Chinese version for its New Balance English mark. As time went on, the New Balance brand became known to an increasing number of Chinese consumers and there are now Chinese versions of the New Balance English mark among the consumers called “Xin Bai Lun”. “Xin” means new and “Bai Lun” is the Chinese sound for Balance. Before the trademark owner became aware of the necessity of obtaining trademark registration for this Chinese version mark, an individual person registered “Xin Bai Lun” in 2004. Even worse, the New Balance Company in China had been widely using “Xin Bai Lun” as its Chinese version trademark in distribution and promotion without being aware of the third party trademark ownership. In 2013, the third party trademark owner of “Xin Bai Lun” filed

infringement lawsuit against New Balance Company. The first instance Court determined New Balance Company pay a monetary compensation of RMB 98,000,000 (approx. USD 17,000,000) to the trademark owner. This amount was reduced by the appeal Court to RMB 5,000,000 (approx. USD 830,000).

## Why Chinese version trademark is preferred

The Chinese language is a unique language system very different to Latin and other language systems in the world. The Chinese language has its own pronunciation rules and writing styles. When a foreign language brand stands before the Chinese consumers, a majority of the consumers will prefer to speak it in Chinese for convenience. When they speak in Chinese, they will also prefer to write in Chinese characters. Take the above New Balance case as example; it is much easier to pronounce “Xin Bai Lun” (i.e. the sound in Chinese) than New Balance. Likewise, when a Chinese brand comes to English speaking markets, they need to adopt a trademark easy for identifying with local consumers.

In addition to culture reasons, another factor is the law. China’s product quality law requires that all products distributed in China should have product labels in Chinese. It does not say that product trademark should be in Chinese but it would be strange if the other contents of the label were in Chinese while the trademark remains in foreign language. Therefore, if an international brand wants to make it into the Chinese market, you really need a Chinese character trademark.

## Why disputes on Chinese version trademark always occur

China’s trademark registration adopts the “first-to-file” principle. If international brand owners do not file their registration applications as early as possible, they might find third party applications have been filed. Hence,

## Résumés

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timing is important. For consumer products like fashion, cosmetics, and celebrity brands, brand owners may find the Chinese version of their brand has already been adopted among Chinese consumers - even when their products have not yet come into the market. The Internet makes information spread wide and access easy. For example, a world famous sports player’s personal brand was filed for registration application in China with the Chinese version trademark granted just nine days after the brand was publicized in the US.

Under the first-to-file principle, opposition or invalidation against third party applications are difficult because challengers have to show their use and reputation on the Chinese version trademark in the three years before the third party’s application. For example, if a third party application is filed in 2016, challengers have to show their use and reputation on the disputed trademark in the three years from 2013 to 2016.

## How to avoid the dispute

The strategy is not complicated and the most important thing is timing. It is wise to adopt a Chinese version trademark before the brand comes to the Chinese market. Multinational companies like

“China’s product quality law requires that all products distributed in China should have product labels in Chinese.”

to use advertising agencies to create a Chinese version mark. Other popular channels have Chinese business partner and trademark counsel. Remember, whichever channel is used, trademark clearance is always necessary.

If an international brand has entered the Chinese market without adoption of a Chinese version trademark, do not worry; you may check if there is already a Chinese version among the consumers. If yes, and it’s not yet filed for registration, you may adopt it and register it. If it’s already registered by third party, you should send notice to your employees, distributors and other business partners not to use the mark and at the same time adopt another one. In the New Balance case, the New Balance brand owner could have avoided the infringement by clearance.

## How to create a Chinese version trademark

A Chinese version trademark can be created in various ways. Popular ones are:

- Pure sound of the foreign language. This is the most popular way and examples are everywhere, such as “Pan Ting” for Pantene;
- Close sound in characters with symbolic meaning. Example: “Lu Hua Nong” for Revlon. “Lu Hua Nong” is from famous ancient Chinese poet’s poem and the meaning is beautiful.
- Pure meaning, i.e. translation of the foreign language. Example: “Han Bao Wang” for Burger King. “Han Bao” means “Burger”, “Wang” means “King”;
- Sound and descriptive meaning. Example: “Ben Chi” for Benz. “Ben Chi” pronounces close with Benz and it has the meaning of galloping; and
- Color and logo. Example: SCHMETZ, the machine needle brand which is the family name of the founder. Its trademark logo is a lion and the packaging color is blue. The Chinese consumers call it “Lan Shi”, i.e. blue lion.