

Nippon's Litigation against Keban and Dingfu for Trademark Infringement (Outline)

Being incorporated in 1992, Nippon (China) Co. Ltd is engaged in production and sale of high-quality coatings used for architectural, industrial and anticorrosive purposes. With its Chinese name containing Chinese characters “立邦”, the company registered its word & figurative trademark (registration number 1044047) and word trademark “立邦” (registration number 1692156) respectively in Jan, 1997 and Jan, 2002. Approved by State Trademark Office, Nippon Paint (China) Co. Ltd acquired the said trademarks in Aug, 2003 through assignment. On Jan 13th, 2003, Higher People's Court of Hubei Province held that the word trademark “立邦” was a well-known trademark while it ruled on the action brought by Nipsea Holdings International Limited against Wuhan Nippon Paint Co., Ltd. for trademark infringement.

Being incorporated in Sept, 2000, Keban Company is engaged in production and sale of polyester paints and water-based latex paints. Japan Leppon Paint International Group (Hong Kong) Co. Ltd (hereinafter called Hong Kong Leppon) was registered in Hong Kong Special Administrative Region on Apr 15th, 2004, with Zhang Yulan and Zhang Rui as its shareholders. Keban Company registered the trademark “来士威KEBAN” in May of 2004. Keban Company and Hong Kong Leppon concluded a cooperation contract On May 17th, 2004, to the effect

that Keban licensed Hong Kong Leppon to use the trademark “来士威 KEBAN” for 30 years as from Jul 20th, 2004. Hong Kong Leppon commissioned Keban to work as its designated manufacturer in charge of OEM production and sale of “来士威” series products. It was agreed that products thus produced and sold, together with their packaging, advertising and other video materials, had to carry the name, address and telephone number of “Japan Leppon Paint International Group (Hong Kong) Co. Ltd”. Meanwhile, original clients and dealers of Keban Company were all allowed to sell “来士威” series products with the name “Japan Leppon Paint International Group (Hong Kong) Co. Ltd” carried in their sales promotions. That contract holds good for 30 years, commencing from May 7th, 2004 to May 6th, 2034.

Shanghai Dingfu Paint Co., Ltd. (hereinafter called Dingfu Company) is a company incorporated in 1998, engaging in wholesale and retail of coatings and paints.

On May 8th, 2005, First Notary Public Office of Huangpu District, Shanghai notarized the correlated web pages of the website <http://www.ke-ban.com> as preserved evidence. The notary deed shows that (1) on the top of the homepage of this website are “日本立邦漆国际集团(香港)有限公司驻中国大陆机构：中山市可邦涂料有限公司” (Chinese mainland-based agency of Japan Leppon Paint International Group (Hong Kong) Co., Ltd.: Zhongshan Keban Paint Co., Ltd.) in bold

type; (2) other web pages prominently carry the graphic sign and enterprise name of Hong Kong Leppon; (3) the pictures of “来士威 KEBAN” series products carried on the pages also show that the graphic sign and the enterprise name of Hong Kong Leppon are highlighted on the paint containers and packages. Of these pictures, some are found to give especial prominence to the words “香港立邦漆”.

On Jun 1st, 2005, Nippon Company purchased “来士威 Six-in-one Luxury Wall Paint” from a sales outlet of Dingfu Company and received a receipt bearing the seals of “Shanghai Dingfu Paint Co., Ltd Special Invoice Stamp” and “The First Subsidiary Company of Shanghai Dingfu Paint Co., Ltd”. Meanwhile Nippon Company received product pamphlets (double-side printed) of “来士威8188 Interior Emulsion Paint” as well as a business card from the salesman Besides, Nippon also took pictures of the storefront of the said sales outlet. The above-mentioned evidence shows that (1) the receipt indicates the subject of payment is “日本立邦油漆、涂料”(Japan Leppon Paints & Coatings); (2) the wall and covers of the three containers all carry the graphic sign and the enterprise name of Hong Kong Leppon in bold type. In addition, the small tag on the wall of the container carries the following messages, “Chinese mainland-based agency: Keban Paint Co., Ltd., Zhongshan City” or “Authorized By Keban Paint Co., Ltd., Zhongshan City” and the telephone number, address and fax of the said company; (3) every page of

the two copies of product pamphlets carries the graphic sign and related product pictures as well as the name of Hong Kong Leppon in bold type. All the product pictures carried therein show that there are graphic sign and the name of Hong Kong Leppon highlighted on the wall of the containers. Besides, such messages are also found as “welcome to contact Keban through the toll-free hotline”, the telephone number, “welcome to visit our website to seek more information” and the web address (<http://www.ke-ban.com>); (4) on the back side of the business card Nippon obtained is “Dingfu Engages in the following wholesales Dealer of Nippon Paint”; (5) the pictures taken by Nippon show that the graphic sign and the enterprise name of Hong Kong Leppon are carried on a horizontal tablet that is hung down rightly under the signboard at the entrance to the sales outlet.

The Second Intermediate People’s Court of Shanghai holds that since Nippon has rights to its name containing “立邦”, associated trademark and word trademark “立邦”, it is entitled to the protection of its legal rights to the enterprise name and the exclusive use of the trademarks. Furthermore, because the incorporation of Hong Kong Leppon, the first use of its name and the conclusion of the said contract are preceded by the registration of the two above-mentioned trademarks and Nippon’s acquisition of the right to the use of its enterprise name, neither Keban Company nor Hong Kong Leppon is entitled to the prior

right to “立邦”, the word trademark. As an enterprise dealing in paint products, Keban Company is expected to know Nippon Company and its registered trademarks, both graphic and word trademarks. Since Zhang Rui is both the general manager of Keban Company and the shareholder of Hong Kong Leppon, that means the said two companies are affiliated with each other. Now that the use of the enterprise name of Hong Kong Leppon is authorized through the cooperation contract between them, Keban’s act being accused of is thus regarded as an infringement in subjective bad faith.

In this case, Keban Company intentionally highlights the enterprise name of Hong Kong Leppon on the packages of its own “来士威” series products. Since the enterprise name contains “立邦” that is the same as the registered word trademark of Nippon Company, it will, as an objective result, attract the customers’ attention, causing them to mistake Keban for Nippon Company’s affiliated enterprise and misidentify the products in question as come from Nippon Company or its affiliated enterprises. Therefore, the act of Keban Company actually has infringed Nippon’s right to the exclusive use of “立邦” word trademark. Likewise, Dingfu Company has also infringed Nippon’s right to the exclusive use of “立邦” word trademark in releasing the infringing product pamphlets and using the infringing enterprise name on the signboard of its store.

In addition, Keban Company and Dingfu Company are engaged in

horizontal competition with Nippon Company, and therefore, their act of using “立邦” trademark, its reputation and prestige, which is aimed to gain competitive edge and illegal profits, is obviously in subjective bad faith and thus an act of unfair competition with Nippon Company.

In view of the above reasons, the Second Intermediate People's Court ruled that (1) Keban Company and Dingfu Company stop the infringement on Nippon's right to the exclusive use of “立邦” word trademark; (2) Keban and Dingfu halt their unfair competition with Nippon; (3) Keban and Dingfu take the joint and several liability to compensate RMB 40 thousand yuan for Nippon's loss; (4) Keban and Dingfu release a clarification in *Xin Min Evening News* to eliminate the ill effects.

Unsatisfied with the first-instance adjudication, Keban Company made an appeal to Shanghai Municipal Higher People's Court.

Shanghai Municipal Higher People's Court holds that the points in dispute in the procedure of second instance are: whether the use of “日本立邦漆国际集团（香港）有限公司”(Japan Leppon Paint International Group (Hong Kong) Co., Ltd.) on the packaging and advertising materials of Keban-produced paints and coatings makes customers confused about the source of the products they purchase; whether they are misled to think that Keban has a special affiliation with Nippon; and whether the appellee's legal rights and interests have been infringed as a

consequence.

The approved facts show that Nippon Company has the right to the exclusive use of the said two registered trademarks and that its registered trademarks have been judicially ruled well-known. Against such a background, Keban's ample use of Nippon's registered trademarks on the packaging and advertising materials of its products is obviously in subjective bad faith, causing customers to misidentify the source of products in question and the relation between the appellee and the appellant. Therefore, the appellant is in violation of the principle of honesty and trustworthiness in civil activities and makes unfair use of the commercial prestige of the appellee to scramble for a bigger share of market, which causes infringement to the legal rights and interests of the appellee. The act being accused of is both an infringement to trademark and an act of unfair competition, and therefore the appellant shall assume the corresponding legal liabilities.

Shanghai Municipal Higher People's Court hereby holds that the original judgment should be upheld because its procedure is conducted in accordance with the law, the facts are clearly ascertained and the law and regulations are correctly applied. On Feb 13th, 2007, the Court made its decision as follows:

The appeal is rejected and the original judgment sustained.

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