Why Apple Lost and Facebook Won?

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China Judge’ s View:
Why Apple Lost and Facebook Won?
Selection of Right Law under theChinese System is the Key!

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There is a popular sayingin the online world in China: “The best way to read and understand the news isto read similar reports in tandem.” Following the saying, it is indeed quite an interesting read if we compare the two decisions came down recently in the Chinese courts: (1) the “IPHONE” case; and (2) the “FACEBOOK” case. These two cases have similar facts but entirely different outcome. Should we simply conclude this is yet another example of China’ s “double standard” or “legal inconsistency” or maybe this is one of the cases that is, in fact, worth a closer look?

I have studied these two cases; it is my belief that the Apple-Facebook different outcome is not a result of inconsistency or “double standard”; rather, it is a result of applying the most fitting sets of laws -- under the Chinese system -- to the facts in each case. Although the two cases involve similar facts,the attorneys in each case have relied on different sets of law as their primary arguments and this strategy difference has had a crucial impact on the final outcome. My analysis is below.

The “IPHONE” Case

In 2003 and 2006, Apple, Inc.(“Apple”) registered the “IPHONE” and “i-phone & design” mark in Class 9 in connection with “computer hardware,” “telephones and cell phones” and other similar products.

On September 29, 2007, Xintong Tiandi Technology (Beijing) Co., Ltd. ("Xintong") filed a new application to register "IPHONE" in connection with Class 18 products such as "purse" and "pocket wallets." Apple opposed Xintong's application, relying on Article 10 Paragraph 1(8) and Article13 Paragraph 2 of the 2001 Trademark Law (Article 13 Paragraph 2 is herein referred to simply as the "Well-Known Trademark Protection Provision"). Apple's opposition was not supported by the Chinese Trademark Office ("CTMO") nor the Trademark Review and Adjudication Board ("TRAB"). Apple appealed the decision to the court. Two court appeals later, Apple was still on the losing side. During the first instance court appeal, Apple expressly acknowledged the relevant Laws in its case were limited to Article 10 Paragraph 1(8) and the Well-Known Trademark Protection Provisiondiscussed above. The courts reviewed the evidence submitted by Apple and held that the evidence was not only fairly limited,most of them were in fact published ***after*** the filing date of Xintong's application; inother words, the evidence was insufficient to prove the well-known status ofthe IPHONE mark prior to the filingdate of Xintong application: September 29, 2007. The second instance court also pointed out that because Apple never relied on Article 41 Paragraph 1 of the 2001 Trademark Law throughout the administrative procedures and the first level of court appeal, the second instance court expressly reserved any comments relating to this provision.

The "Facebook" Case

In 2009,Facebook, Inc. ("Facebook") registered the "FACEBOOK" mark in connection withthe following services: (1) Class 35 services including "providing online directory information services featuring information regarding, and in thenature of, collegiate life, classifieds, virtual community, social networking, photo sharing and tracking of trends" ; and (2) Class 38 services including "providing online chat rooms for registered users for transmission of message concerning collegiate life, classifieds, virtual community, social networking, photo sharing and tracking of trends."

In 2011, a Chinese individual named Hongqun Liu ("Liu") filed atrademark application to register "FACEBOOK" in connection with Class 32 products such as "sorbets (beverages)" and "ice (beverages)." Facebook opposed Liu's Class 32 application relying on Article 10 Paragraph 1(8), Article 13 Paragraph 2, Article 31 and Article 41 Paragraph 1 of the 2001 Trademark Law. Similar to the Apple case, Facebook lost the opposition both at the CTMO and TRAB level. Again, similar to Apple, Facebook appealed the decision to the

courts. The courts eventually supported Facebook's position based on Article 41 Paragraph 1 under the 2001 Trademark Law and granted Facebook the desired victory.

The Facebook court noticed that Liu had sought to register the FACEBOOK mark in multiple classes. In addition, the court also noticed that Liu tried to register other famous brands such as "DARLIE in Chinese characters" (a toothpaste brand with high fame in China) and "One plus One in Chinese characters" (a supermarket brand with high fame in China). Liu's trademark filing pattern has amply demonstrated his intent to copy third parties' famous trademarks; his filings were therefore disruptive to China's trademark system and a clear violation of the good faith principle. Despite the above, similar to the Apple case, the courts still denied Facebook's request that Liu's application was a violation of the Well-Known Trademark Protection Provision (the same provision relied by Apple in its action against Xintong) as well as Article 10 Paragraph 1(8) and Article 31.

Based on the above, it is clear that both Facebook and Apple received the same ruling in respect to their reliance on Article 10 Paragraph 1(8) and the Well-Known Trademark Protection Provision. Accordingly, there is no so-called "double standard" in either case.

The primary (and probably the only) difference in these two cases is Facebook's reliance on Article 31 and Article 41 Paragraph 1 of the 2001 Trademark Law --in addition to its reliance on the Well-Known Trademark Protection Provision. In fact, Liu's mark was denied for registration precisely due to Facebook's reliance on Article 41 Paragraph 1 of the 2001 Trademark Law. Since Article 41 Paragraph 1 is the primary difference between the two cases, it therefore deserves a closer look. In the "IPHONE" case, Apple only relied on the Well-Known Trademark Protection Provisions. As pointed out by the second instance court decision, Apple did not raise Article 41 argument during the administrative-procedure and the first instance and accordingly, its Article 41 arguments werenot considered.

It is my view that Apple's bitter loss in the IPHONE case is not without justification; Apple's litigation strategy was not well-executed. I have a few more comments in respect to the IPHONE case:

First-- Apple in fact had an opportunity to prevail in the IPHONE case by relying on Article 13 Paragraph (2) of the 2001 Trademark Law. Based on the online information, the first generation of iPhones was introduced by Steve Jobs, the former CEO of Apple, on January

9, 2007; the products were officially released on June 29, 2007. The infringing IPHONE application was filed on September 29, 2007. In other words, the official release of the IPHONE products was barely three months apart from the filing of the infringing IPHONE application in China. Despite this, a brand owner can still establish its mark as famous or even well-known in China in today's fast speed internet world. To do so, the key is to submit quality China-specific evidence in this three-month window to support the fame/well-known status of the senior mark. Did Apple provide any fame evidence in this crucial three-month period? According to the court, not quite. This explains (yet again) why I believe Apple-- or, its authorized attorneys / agents in China -- did not do a good job in protecting its rights in China.

Second-- Would Apple have a glimpse of hope to win the IPHONE case had it relied on Article 41 Paragraph (1) of the 2001 Trademark Law? I believe so. Based on the way this provision was interpreted and applied in the Facebook case, bad faith supporting evidence is important. I did a quick search on Xintong and noticed there was in fact plenty of bad faith filings to support the bad faith arguments -- for example, Xintong had applied for / registered third parties' well-known marks such as "IPAD," "IPHONE SHOP," "IPHONE in Chinese," "GOLDENSHIELD," and "ULTRASHIELD." With this background in mind, can Apply prevail if it had relied on Article 41 Paragraph 1 of the 2001 Trademark Law? I believe it is possible. This, however, is no longer an option due to its strategy oversight in China. Apple only has itself (and its authorized agent / law firms) to blame for the bitter defeat in China.

It is important to follow the rules and apply the appropriate sets of law in litigation. Although judges issue opinions "based on facts along with applications of the law," we, the judges, still need the parties to assert the specifics of each case along with application of the most appropriate law; the judges are nothing but decision makers based on the information presented. In light of the above, the role the interested parties play (through itself or through its authorized attorneys) is crucial. Indeed,the attorneys' role in each trial should be taken seriously as it has a direct determining effect on the final outcome of each case.


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