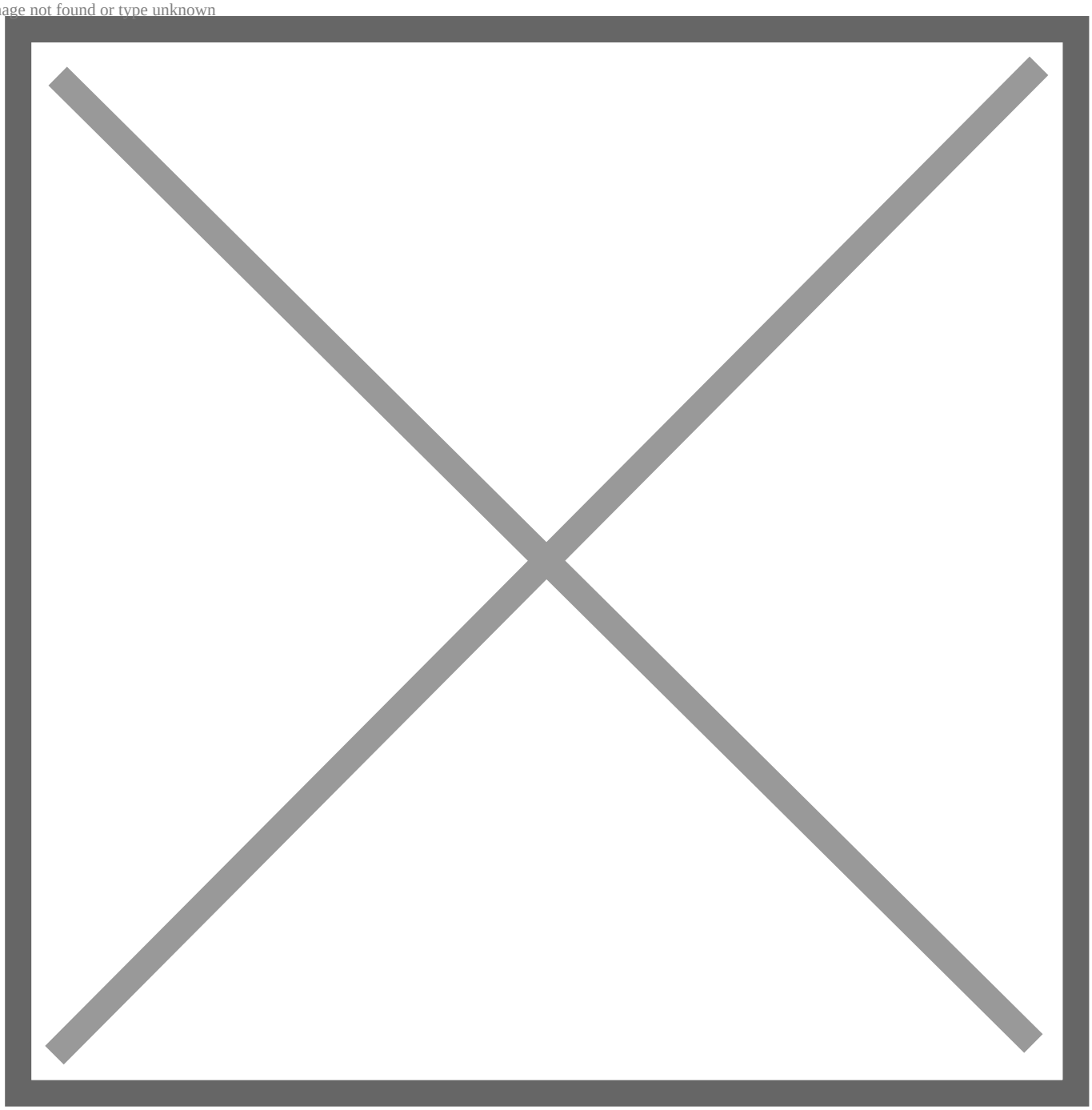
Marking Your Territory: Choosing a Trademark in China

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Several weeks ago, New Balance Trading (China) – the Chinese affiliate of US sports footwear brand, New Balance – was ordered by a Guangzhou court to pay RMB98 million in compensation (equivalent to approximately EUR14.3 million), and to publicly apologise to Chinese businessman, Mr Yuelin Zhou, for trademark infringement. The trade mark in question was “ ”, or “Xin Bai Lun”, a Chinese transliteration of “New Balance”. This case serves as a sharp reminder of how vital it is for foreign brands to register a Chinese trade mark in China, and how cutting corners may result in high financial penalties later down the line.

Chinese consumer culture: why choose a Chinese name?

China possesses one third of the world’s consumers and is the largest market for luxury goods in the world. Between 2010 and 2014, European Union (EU) imports to China grew by 12.4% on average annually.[1]

Taking time to carefully consider a Chinese trade mark when importing a brand to China is important for several reasons. Firstly, because foreign brands or company names are often difficult to pronounce – or carry different meanings – in Chinese. If a company fails to provide its own Chinese name or trade mark, Chinese consumers will choose their own. Secondly, in a country where each character holds its own distinctive meaning, the characters used in a foreign branded trade mark, along with the sound, tone and look of Chinese characters, can significantly impact a brand’s reputation.

There are three main options for companies wishing to choose a Chinese brand name. These include:

§ Creating a literal translation of a brand’s name into Chinese (as Apple Computers did with their Chinese name ‘Ping Guo’ ( ) – literally the Chinese word for ‘apple’);

§ Creating a phonetic translation (as with Siemens’ ‘Xi Men Zi’ ( )); and

§ Combining a literal and a phonetic translation (the tactic used by Coca-Cola: ‘‘Ke Kou Ke Le’ ( ), which means ‘taste and be happy’).

While literal translations are often deemed preferable by foreign brands entering China, it is advisable to seek assistance from a native Chinese speaker beforehand – as the search engine ‘Bing’ discovered. In Chinese ‘Bing’ – or ‘Biying’ ( ) – sounds similar to the Chinese word for ‘sick’ or ‘unwell’, which may account for its relatively poor performance in the Chinese market.

Being one step ahead of the game: first-to-file rules

China operates a ‘first-to-file’ system, meaning that legal protection is granted to the first person who registers a trade mark; you may lose legal protection if a similar trade mark has already been registered in China. It is therefore important to register a trade mark as soon as possible, sometimes even before you enter the Chinese market, so as to ensure that your brand is protected from ‘hijacking’ – where someone else registers your trade mark before you do. Registering early is also important from a processing-time perspective, since protection can take as long as 18 months to come into effect.

The New Balance case: learning by example

When New Balance established its affiliate in Shanghai in 2006, it began using “Xin Bai Lun” as its Chinese brand name. However, Zhou had already applied to register this trade mark in 2004, and registration was granted in 2008. When Zhou found that New Balance had been using his Chinese trade mark he filed a lawsuit for infringement in 2007. New Balance subsequently responded that it had been using “Xin Bai Lun” in good faith as it is the direct transliteration of “New Balance”; the company continued to trade in China using the brand name “Xin Bai Lun” and accused Zhou of ‘squatting’ on its Chinese trade mark.[2]

New Balance eventually lost its case for two key reasons:

1. Zhou had chosen and registered the trade mark first and had been trading under the name ‘Xin Bai Lun’ for several years; and

2. New Balance was fully aware of Zhou’s registered trade mark but continued to use the same name.

New Balance’s unfortunate tale provides an acute reminder for those of us seeking to launch a brand in China that trade mark protection is prerequisite when entering the market. As this case demonstrates, the opportunity costs of not registering a brand name as soon as you enter China can be significant. It is thus important to bear the following in mind:

1. Since every foreign product and service ultimately adopts a Chinese name, investing time in choosing your own name can save time and money at a later stage;

2. If someone else registers your trademark before you do, the consequence can be damaging; and

3. If a company already possesses ‘your’ trademark, you are advised either to buy this trademark from them or to change your Chinese name and register the new name as a trade mark – ideally as soon as possible.

Find out more about how to choose and register a Chinese name in our Guide to Trade Mark Protection, How to Conduct a Trade Mark Search and How to Record Trade Mark with Customs.

[1] http://trade.ec.europa.eu/doclib/docs/2012/march/tradoc_149251.pdf

[2] http://shanghaiist.com/2011/11/22/chinese_shoe_company_accused_for_st.php The China IPR SME Helpdesk supports small and medium sized enterprises (SMEs) from European Union (EU) member states to protect and enforce their Intellectual Property Rights (IPR) in or relating to China, Hong Kong, Macao and Taiwan, through the provision of free information and services. The Helpdesk provides jargon-free, first-line, confidential advice on intellectual property and related issues, along with training events, materials and online resources. Individual SMEs and SME intermediaries can submit their IPR queries via email (question@china-iprhelpdesk.eu) and gain access to a panel of experts, in order to receive free and confidential first-line advice within 3 working days. The China IPR SME Helpdesk is co-funded by the European Union. To learn more about the China IPR SME Helpdesk and any aspect of intellectual property rights in China, please visit our online portal at http://www.ipr-hub.eu/.