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Hubei High Court upholds 10-million yuan damages award to Michelin for misuse of Cantonese name

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On 8 November 2023 the Hubei High Court issued a judgment in the long-running Michelin saga, upholding the first-instance decision and clarifying some interesting aspects about well-known status of trademarks in China (2022 E Zhi Min Zhong no 190).

The word 'Michelin', which is the name of a French company that is famous for its tyres and Michelin Guide, is translated in Mandarin as '米其林' in Chinese – pronounced "Mi Qi Lin". In Hong Kong, the Cantonese name of Michelin is '米芝莲', which is pronounced "Mi Zhi Lian".

In 2015, Michelin discovered that Shanghai Mi Zhi Lian Catering Management not only registered '米芝莲' (Mi Zhi Lian) as a trade name but also attempted to register the name as a trademark, and a chain of restaurants franchised by Shanghai Mi Zhi Lian were using Mi Zhi Lian as a trademark. Michelin engaged in various opposition and invalidation procedures and in 2018 finally sued Shanghai Mi Zhi Lian and one of its franchised restaurants before the Wuhan Intermediate Court on the grounds of trademark infringement and unfair competition.

On 16 August 2021, the court issued a judgment determining that the use of the mark MI ZHI LIAN and domain name 'shmizhilian.com' constituted trademark infringement and the use of Mi Zhi Lian as a trade name constituted unfair competition (2018 E 01 Min Chu no 3552). The court ordered the defendants to stop such use and pay 10 million yuan in damages. The franchised restaurant was found jointly liable for damages of up to 20,000 yuan.

The defendants argued that they were using a different Chinese name than the Chinese name that Michelin uses in China. The court opined that a singular foreign name may have two or more transliterations or pronunciations within one country's jurisdiction. The fact that 'Mi Qi Lin' in Chinese is widely acknowledged and used as the Chinese transliteration of Michelin in mainland China does not mean that 'Mi Zhi Lian' in Chinese cannot also be a valid Cantonese transliteration of Michelin. The court affirmed, therefore, that both transliterations have a special association with Michelin and that using the Cantonese name constituted infringement of the Mandarin Chinese name.

The defendants also argued that it was inappropriate for Michelin, which had registered its trademark in Class 43 (catering services), to base its claim on the well-known reputation of its trademark registered in Class 12 (tyres). The court disagreed with this argument and specified that referencing the well-known status of a trademark that is registered in a brand owner's core business should in fact be encouraged. Otherwise, brand owners would be obliged to register their trademark in multiple or even all classes rather than seek well-known trademark (WKTM) protection based on the mark's reputation. This would breach the original objective of the WKTM protection regime and would inappropriately invite brand owners to register more defensive trademarks.

Finally, the defendants argued that Michelin had waited too long to exercise its right (three years after becoming aware of the infringement) and indirectly had acquiesced the defendants' use of the trademark. The defendants claimed that during these years, they had built a legitimate market share and that it was unfair to sue them after all this time. The court noted, however, that Michelin had been proactively filing oppositions against Shanghai Mi Zhi Lian's trademark applications and had also filed invalidation requests against a few trademarks that had survived opposition proceedings. These actions corroborated the fact that Michelin did not acquiesce in the registration and use of the MI ZHI LIAN trademark. The court added that Shanghai Mi Zhi Lian, which was aware that its trademarks applications were being challenged, took the risk of continuing to use the accused mark.

Therefore, the defendant's so-called 'market share', formed on the basis of trademark infringement and unfair competition, should not be protected.

The defendants appealed and on 8 November 2023 the Hubei High Court issued a judgment, upholding the first instance decision (2022 E Zhi Min Zhong no 190). Further, the court provided negative comments on Shanghai Mi Zhi Lian's appeal without new facts or grounds, which increased Michelin's expenses.

Key takeaways

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[Media Center](#) > [Insights](#) > [Trademark](#)

This decision is particularly interesting because it encourages the use of the well-known trademark status rather than resorting to defensive trademarks. Such defensive trademarks would not be necessary if WKTM protection rules were easy to apply on a case-by-case basis, which is provided by Chinese law.