



## Case Study on IP Mediation

# Evalin Accesorios S.L. v Zuànshí Hong Kong Co Ltd

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## IP MEDIATION CASE STUDY

- Evalin Accesorios S.L. registers Community Design at EUIPO on 12/01/2016



Class 32: 'ornamentation for bags, belts, tableware, apparel, T-shirts, printed matters, including advertising'



## IP MEDIATION CASE STUDY

- **Zuànshí Hong Kong Ltd ('the invalidity applicant') files an invalidity application at EUIPO on 17/09/2016**

Based on earlier EUTM registration of 06/06/2010 for goods and services in Classes 14, 18, 24, 25, 26 and 35



## IP MEDIATION CASE STUDY

- **Grounds of invalidity:**
  1. Lack of novelty;
  2. Lack of individual character;
  3. A distinctive sign is being used in a subsequent design, and that EU law gives the right holder of that sign the right to prohibit such use because of a likelihood of confusion;
  4. Disclosure was made.



## IP MEDIATION CASE STUDY

- **Disclosed designs (International Fashion Fair, Shanghai, March 2015)**



## IP MEDIATION CASE STUDY

- Evidence of export of T-shirts to Germany in 2015



## IP MEDIATION CASE STUDY

- **Invalidity decision of 30/11/2016**

- **Findings:**

- The design is confusingly similar to the earlier EUTM.
    - The earlier trade mark, being registered and in force, is presumed to be a 'distinctive sign'
    - The owner of the EUTM has the right to prevent unauthorized use of its mark, or any similar sign, in trade
    - Elements of the mark are included in the contested design, which therefore makes use of a similar sign to the EUTM.
    - The contested design is intended to be used as ornamentation. Such use is made in the course of trade and may be prohibited by the invalidity applicant.



## IP MEDIATION CASE STUDY

- Appeal filed by design holder in 16/01/2017

- Arguments:

- The contested decision violates the duty to state reasons because no comprehensive analysis of likelihood of confusion ('LoC')
    - The EUTM is merely presumed to be distinctive
    - Incorrect assessment that the contested design reproduces elements of the earlier EUTM => no LoC
    - Wrong assumption that the ornamentation will be used for the same goods and services
    - No disclosure because different designs exhibited in China
    - Differences in designs => different overall impression





## IP MEDIATION CASE STUDY

- **Response of invalidity applicant**
  - ❑ **Dismiss appeal and uphold the contested decision:**
    - The signs are similar
    - The Invalidity Division was right to finding that one can expect the ornamentation to be applied to the same types of goods and services
    - The design holder was employed in the marketing department of the invalidity applicant's company from January 2007 to July 2013 and then registered the design in Europe in bad faith
    - The design holder also infringed the invalidity applicant's earlier Chinese trade mark (identical to the EUTM) by importing handbags and belts containing the contested design into China => proceedings in Shanghai



## IP MEDIATION CASE STUDY

- **Mediation request:**

- Reporting judge at EUIPO Boards of Appeal studies the file
- Proposes mediation to the parties because of the parallel proceedings in China, the pre-existing personal relationship between the parties and the strong and weak points of each party's case
- After some hesitation, both parties agree to give mediation a try



## IP MEDIATION CASE STUDY

- **Additional information about invalidity applicant:**
  - Company representatives at mediation: Head of Marketing, Lulu Yan and lawyer Thomas Lange
  - Managing Director of Zuànshí Hong Kong Ltd, Mr Stephen Yan, is the great grandson of the founder Mr Choi Tong
  - Stephen's son will soon take over the company and wants to be consulted about the mediation
  - Stephen wants to leave the company problem free when he retires (but not let competitors onto the Chinese market)
  - Company founded in 1860 with a prestigious history spanning four generations



## IP MEDIATION CASE STUDY

- **Additional information about invalidity applicant:**
  - Owns a high-end homeware concept store and a department store in Shanghai
  - Has numerous brands registered in China and internationally
  - EUTM recently used on jewelry and clothing sold both in China and in London
  - Goods bearing variations of the EUTM have been marketed by the invalidity applicant on homeware, bed linen clothing and jewelry and disclosed at various trade fairs in China (which Li knew about before filing for the design in the EU)



## IP MEDIATION CASE STUDY

- **Additional information about design holder:**
  - Small medium sized enterprise run husband and wife team: Mr Leo Li and Mrs Eva Hernández based in Alicante (Spain)
  - Produces bags and belts, sold retail from its store in Alicante and wholesale to department stores in Spain, Portugal and UK
  - Lawyer María Gómez
  - Leo met his wife Eva when she was on a tour in China in 2008. They married in 2014.



## IP MEDIATION CASE STUDY

- **Additional information about design holder:**
  - Eva is passionate about China and the couple frequently travel there with a view to developing their business
  - Eva inherited a family run business, ultimately transferred to Evalin Accesorios S.L. in 2014, and that is how she got to be knowledgeable about the market for bags and belts
  - Company is researching into making luxury imitation leather goods from vegan leather
  - Evalin Accesorios S.L. deny bad faith; the 8 in the design is the luckiest number in Chinese culture, being associated with prosperity and success, while the heart symbol stands for love.



## IP MEDIATION CASE STUDY

- **Additional information about design holder:**

- Leo Li is the nephew of the second wife of the Managing Director of Zuànshí Hong (Stephen Yan)
- He worked in the marketing department of the family business till July 2013.
- Confidentially, he reveals that he left the business because of the constraints of it being a personally managed family firm and due to disagreements over how the company should expand.
- Evalin Accesorios is considering filing a cancellation action against the earlier EUTM at the EUIPO based on absolute grounds if there is no amicable settlement



## IP MEDIATION CASE STUDY

- **Additional information about design holder:**

- Company is launching an investment programme for commercializing vegan leather products and is actively looking for investors.
- Evalin Accesorios S.L. has signed a contract with a vegan leather producer for supplying raw materials.
- They lack funds for finalizing research on developing a process for dying vegan leather
- They need to register a patent in the European Union and China ASAP.







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